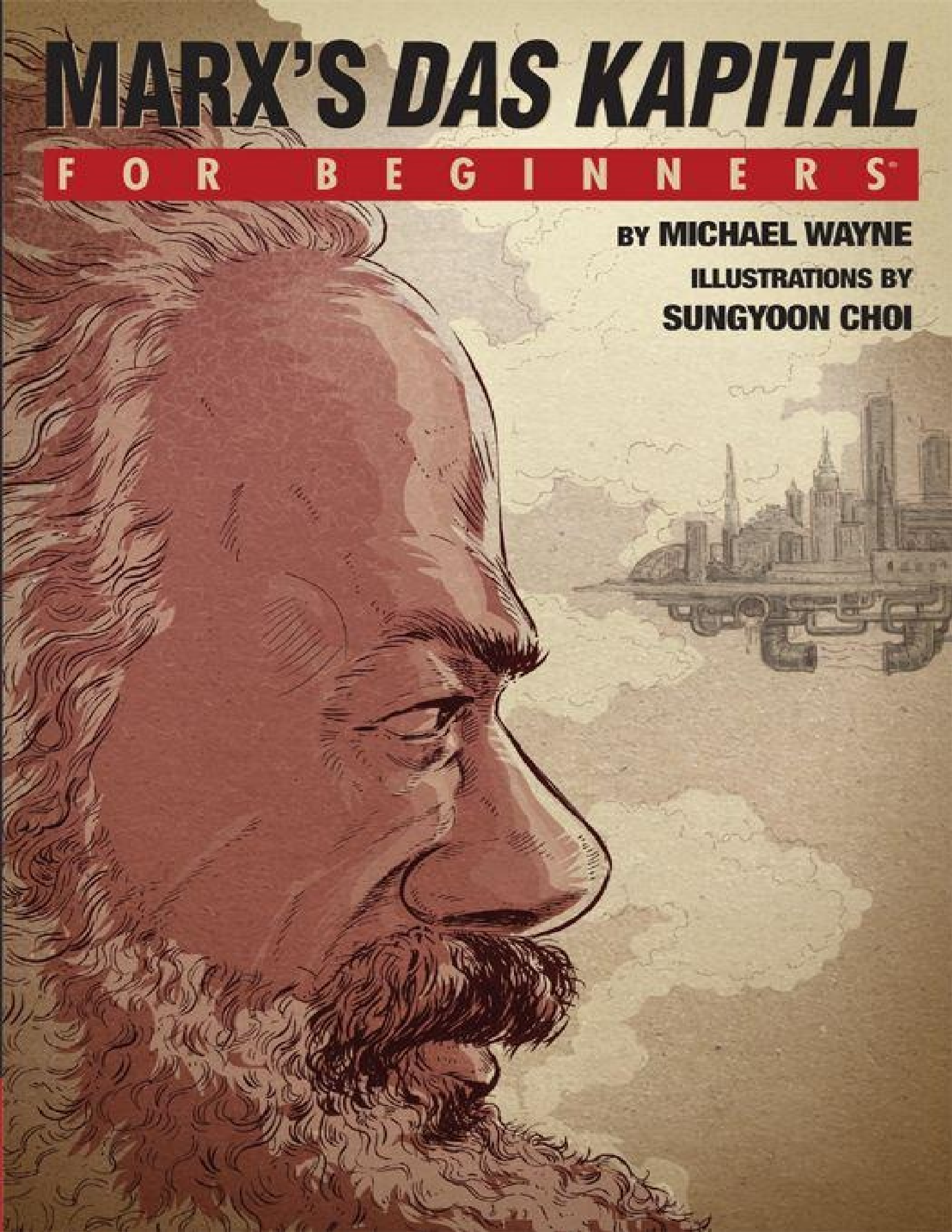
MARX'S *DAS KAPITAL*

FOR BEGINNERS®

BY MICHAEL WAYNE

ILLUSTRATIONS BY

SUNGYOON CHOI



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introduction

Karl Marx's *Das Kapital*, Volume I, was first published in 1867. It brought together in an original way more than twenty years of thinking by Marx about capitalism.

Das Kapital is a critique of capitalism. It is not this or that particular example of capitalism that is his target. Instead Marx wanted to identify the essential features that make capitalism capitalism, in whatever country it develops in and in whatever historical period. For this reason, *Das Kapital* is necessarily a fairly general, abstract analysis – one of the reasons why it can be a difficult read.

Another reason is that its penetrating critique of capitalism is attacking the very system that you, dear reader, and I, author of these words, have grown up in, become socialized within. So it is sometimes a quite counterintuitive read in that it does not accept the many commonsense assumptions we have and which the institutions surrounding us usually reproduce.

Capitalism is a social and economic system that has been developing and maturing for approximately 400 years. Since the publication of *Das Kapital*, capitalism has tried to prove Marx's critique wrong or irrelevant, but it continues to fashion tools for each new generation wanting to understand the world. Today, capitalism's presence around the globe is more or less complete, its dominance almost undisputed. So why do we need to read Marx's book anymore?

Because most people have at least an inkling that all is not right with the world. And many people have more than an inkling that there are very large problems confronting the human race. Marx's *Das Kapital* provides the most systematic account for why that might be the case.

Das Kapital cannot be or should not be put in a box marked "economics." It is a work of politics, history, economics, sociology, philosophy and even at times literature (yes, Marx's style can be that rich and evocative). It even contains early examples of Marxist literary criticism. Marx often cites great authors such as Shakespeare, Goethe and Balzac to illustrate issues to do with the nature of money.

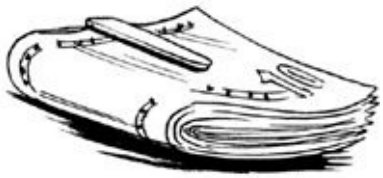
For example, when he is considering how the bourgeoisie (and the capitalist system more broadly) is torn between the passion to accumulate money and the desire to enjoy the fruits of that wealth, he cites the protagonist of Goethe's tragic play *Faust* as the very image of bourgeois man: **Two souls, alas, do dwell within his breast;**

The one is ever parting from the other.

As we shall see, two souls forever parting from each other (the divided human being split by conflicting imperatives) is a typical motif in Marx's account of capitalism.

Marx's approach here is revealing of his method overall. He tends to read politics, economics, religion, philosophy and in this example literature for their HIDDEN social content.

The main object of his inquiry in *Das Kapital* is why and how economic categories such as money, profit, capital and so forth actively repress the social content which determines them. However, because these categories refer to things that form the very tissue of our everyday life, *Das Kapital* is a capacious project, giving us insights that go far beyond the usual parameters of "economics."



Das Kapital begins a bit like a detective story, reconstructing what is really happening from everyday clues that appear so innocent of having any story to tell. When Inspector Marx arrives on the scene it is not even clear a crime has been committed. But it has.

chapter one: the commodity

Marx began his critique of capitalism with something very ordinary and everyday. The commodity. The first words of *Das Kapital* are:

> **The wealth of those societies in which the capitalist mode of production prevails presents itself as an immense accumulation of commodities, its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity**.
>
> —**Marx**, ***Das Kapital***

Everyone knows that a commodity is something that is bought and sold, or traded for something else thought to be of equal worth.

And it is plain that commodities are bought and sold because they are useful for people.

So a commodity has two sides to it. It has a use value and an exchange value. An exchange value expresses itself as the price at which the commodity exchanges.

This then is our opening definition of a commodity: It is something that is bought and sold because it is useful for people. Expressed like this, there does not seem to be a problem. The use-value side of the commodity and the exchange-value side seem to fit snugly together.

> **A commodity appears, at first sight, a very trivial thing, and easily understood. Its analysis shows that it is, in reality, a very queer thing,**

abounding in metaphysical subtleties and theological niceties.

—**Marx**, ***Das Kapital***

If at first sight the commodity appears a trivial, easily understood thing, Marx will show that within capitalism, things are not as they *appear*.

Marx's analysis reveals how, in fact, use value and exchange value are at war with each other within modern capitalism.

Let us first consider the use-value side of things. Think about a random sample of products: a teabag, a hammer and a pair of binoculars.

The first thing you notice about them as use values is how different their uses are. Indeed they are quite unique to each product.

Try using a teabag to bang in some nails, or a hammer to magnify a distant object and you are unlikely to have much success.

The utility of a thing makes it a use value. But this utility is not a thing of air. Being limited by the physical properties of the commodity, it has no existence apart from that commodity.

—**Marx**, ***Das Kapital***

As well as being distinct from each other, the unique uses these products have depends very much on their physical structure.

Imagine making a cup of tea with a teabag that did not have any perforations.

Or using binoculars that did not have any lenses inside them.

So the usefulness of these products relates to their precise physical structure and combination of elements. Again this all points to the unique and specific qualities they have for being useful.

Where do the materials for products come from? Obviously they start life as natural materials in some form or another. Tea comes from plants, their bags a blend of wood and vegetable-based fibers. A hammer made from steel comes from iron and carbon combinations. Glass necessary to make lenses also derives from such natural materials as sand and lime.

Of course nature does not spontaneously transform itself into these handy products that make our lives better, more comfortable and more developed. This is a transformation – almost magical in some ways – that is produced by

HUMAN LABOR.

> **Labor is, in the first place, a process in which both man and nature participate, and in which man of his own accord starts, regulates, and controls the material reactions between himself and nature. He opposes himself to nature as one of her own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate nature's production in a form adapted to his own wants. By thus acting on the external world and changing it, he at the same time changes his own nature. He develops his slumbering powers and compels them to act in obedience to his sway**.
>
> —**Marx**, ***Das Kapital***

So use value has its origins in nature and human labor. And this is true throughout human history – not just the recent history of capitalist production. Human beings have always produced use values from natural raw materials. And this process of production has in turn developed us as creative, intelligent human beings.

The labor process of human beings is quite different from the instinctual activity that governs animals.

> **A spider conducts operations that resemble those of a weaver, and a bee puts to shame many an architect in the construction of her cells. But what distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality. At the end of every labor process, we get a result that already existed in the imagination of the laborer at its commencement. He not only effects a change of form in the material on which he works, but he also realizes a purpose of his own that gives the law to his modus operandi, and to which he must subordinate his will**.
>
> —**Marx**, ***Das Kapital***

Because human labor is not directed by instinctual drives but by creativity and imagination, human beings can be inventive. They can adapt to their environment and adapt their environment. They can discover things about themselves and the natural world around them. All this opens up the possibility of making a human history distinct from the history of nature.

The development of the human hand as a tool-making organ was decisive in the development of a human history. As Marx's lifelong friend and collaborator Frederick Engels wrote:

> **The first operations for which our ancestors gradually learned to adapt their hands during the many thousands of years of transition from ape to man could have been only very simple ones. The lowest savages … are nevertheless far superior to these transitional beings. Before the first flint could be fashioned into a knife by human hands, a period of time probably elapsed in comparison with which the historical period known to us appears insignificant. But the decisive step had been taken; *the hand had become free* and could henceforth attain ever greater dexterity; the greater flexibility thus acquired was inherited and increased from generation to generation**.
>
> **—Frederick Engels**,
> ***The Part Played By Labor In The Transition From Ape To Man***

So labor is the very basis of what and who we are as human beings. The unique use values that labor produces derive in turn from the specific qualities which particular kinds of labor bring to the raw materials they work on.

If you want to make paper then it simply will not do to treat wood as if it were iron ore and put it in a hot furnace. Labor must work with the particular qualities which different natural materials have.

It will be important to remember the hymn to human creativity embodied in labor that Marx writes about here when we get to consider what happens to human labor under capitalism.

Now, human labor produces two types of products. One type functions as tools or raw materials that will be used in further acts of labor. The other type produces final products that can be consumed or used by individuals to reproduce themselves – whether that is a roof over their heads or a bite to eat.

Tools and raw materials that have already been worked upon by human labor remain only latent or potential use values. They require further labor to make those use values a reality.

> **Living labor must seize upon these things and rouse them from their death-sleep, change them from mere possible use values into real and effective ones. Bathed in the fire of labor, appropriated as part and parcel of labor's organism, and, as it were, made alive for the performance of their functions in the process, they are in truth consumed, but consumed with a purpose, as elementary constituents of new use values, of new products, ever ready as means of subsistence for individual consumption, or as means of production for some new labor process**.
>
> —**Marx**, ***Das Kapital***

Marx's argument that living labor is required to realize the potential inherent in tools (including advanced machinery) or raw materials will be very important later on for his analysis of capitalism.

Finally we should note that although labor is absolutely central to what Marx called our "species being," labor is in turn dependent on nature. This relationship, Marx says in *Das Kapital*, is the, "everlasting nature-imposed condition of human existence, and therefore is independent of every social phase of that existence, or rather, is common to every such phase."

Just as it is worth thinking about what happens to human labor when capitalism comes on the historical scene, so too it is worth thinking about what happens to nature and our relationship to nature under capitalism.

For now, though, the one thing you need to take from what we have said so far is that use values and the process of producing them are characterized by unique and specific qualities.

We have been considering the use-value side of products. As we have seen, human beings have always produced use values in order to survive and in order to develop. That production is likely to have been under difficult and unjust circumstances (for example, serfdom or slavery) but that is not the issue right now.

> **Use values … constitute the substance of all wealth, whatever may be the social form of that wealth**.
>
> —**Marx**, ***Das Kapital***

However, in the last few hundred years, the production of use values has been embodied largely in commodities. This is a new social form of wealth that we call capitalism, and it means that use values are now combined with exchange values.

> **In the form of society we are about to consider, [use values] are, in addition, the material depositories of exchange value**.
>
> —**Marx**, ***Das Kapital***

So what is exchange value?

It must be the value at which commodities exchange for each other. This exchange value finds its expression in prices. And what are prices?

> **Prices are wooing glances cast at money by commodities**.
>
> —**Marx**, ***Das Kapital***

In money, commodities find an easily divisible and portable means of exchange. But money also measures the value of commodities.

So the exchange value of a commodity finds a mirror of its value in money.

Where once in precapitalist times an ordinary commodity such as a chicken might have been traded for another ordinary commodity such as salt, today, under capitalism, one ordinary commodity is exchanged for money.

> **Commodities find their own value already represented without any initiative on their part, in another commodity existing in company with them**.
>
> —**Marx**, ***Das Kapital***

Money is the universal mirror or equivalent that keeps company with all other ordinary commodities. It is in fact no more than a commodity itself, because it is a representation of the exchange value of the ordinary commodity.

> **Money functions as a means of circulation only because in it the values of commodities have independent reality**.
>
> —**Marx**, ***Das Kapital***

We can find out something important about the nature of exchange value by taking a closer look at money – which is both the means of exchange and the measure of value.

Imagine three piles of money, each bigger than the other. The first thing that we notice about these piles of money is that there is very little difference between them. The only difference in fact is a *quantitative* one.

Now this is in contrast to our three ordinary commodities we discussed earlier: the teabag, the hammer and the binoculars.

We saw that each of those had very different *qualities*. Of course these qualities come in certain quantities. The quantitative dimension is a natural part of what they are, but it is the qualitative dimension that is most crucial to their differential usefulness. But money is pretty much just money. There is not a lot you can do with it.

You cannot wear money, eat it, smoke it or use it to put nails into woodwork. It has a very thin qualitative dimension. The most important thing about money for most people is its quantitative dimension: how much you have!

You can of course spend money, which is what we generally do with it. But money itself does not really have much of an intrinsic use value in the way a teabag does or a painting by Picasso. As Georg Simmel, a Marx-influenced German sociologist wrote at the turn of the twentieth century:

> **Money, with all its colorlessness and indifference, becomes the common denominator of all values; irreparably it hollows out the core of things, their individuality, their specific value, and their in-comparability**.
>
> **—Georg Simmel**, ***The Metropolis and Mental Life***

So in this sense money is not the same as an ordinary commodity. It is pure exchange value; it is the expression of the commodity *only* in terms of its monetary worth. To put it another way, it is the expression of only the exchange-value side of the commodity.

> **As use values, commodities are, above all, of different qualities, but as exchange values they are merely different quantities, and consequently do not contain an atom of use value**.
>
> **—Marx**, ***Das Kapital***

What would it mean to look at our ordinary commodities as if they did not

contain an “atom of use value”? Well, we would then only be measuring their value and the different amounts of each commodity that would make them equivalent.

So around 100 teabags would be equivalent to one hammer and around 1,000 teabags might be equivalent to a particular pair of binoculars, while maybe 7 hammers would equate to the same pair of binoculars.

By making these commodities equivalent, we are no longer concerned with what differentiates them – i.e., their use values. In terms of their qualities they are all the same – simply expressions of value that are quantitatively comparable.

Instead of taking 1,000 teabags to a shop selling binoculars, we take money, but whether we take money or teabags, we would basically be implying the same thing: that $20 is equal to 1,000 teabags or one pair of binoculars.

> **The exchange of commodities is evidently an act characterized by a total abstraction from use value**.
>
> **—Marx**, ***Das Kapital***

In making 1,000 teabags equivalent to 7 hammers and one pair of binoculars we are discarding their differences and saying that they all share something in common (the act of abstraction Marx writes about).

What they share is the same monetary worth. But what ultimately is value? What is being measured by money and what is being expressed in exchange value?

Marx's answer must initially strike us as strange. It is the human labor power embodied in the commodities which gives them their value.

This is strange because we have already seen that human labor is a producer of use values and it shares with use values their unique and specific qualities. So how can human labor power also be crystallized into a commodity as exchange value, as something that is "a mere congelation of homogenous human labor," as Marx calls it?

Something must happen to human labor when it starts producing commodities under capitalism to enable wildly different commodities to be measured as equivalents.

> **Along with the useful qualities of the products themselves, we put out of sight both the useful character of the various kinds of labor embodied in them and the concrete forms of that labor. There is nothing left but what is common to them all; all are reduced to one and the same sort of labor, human labor in the abstract**.
>
> **—Marx**, ***Das Kapital***

So while human labor produces use values on the one hand, on the other, human labor undergoes some sort of “abstraction” and it is this abstract human labor that produces value in commodities.

We have now learned that commodities are made up of two parts: use value and exchange value. We have begun to see that their combination in a commodity might not be as harmonious as we first supposed. Why? Because

exchange value is entirely indifferent to use value. Use value and exchange value then are strange bedfellows. They are joined together in the commodity but one is characterized by the principle of quality (use value) and the other by the principle of quantity (exchange value).

> **Could commodities themselves speak, they would say: Our use value may be a thing that interests men. It is no part of us as objects. What, however, does belong to us as objects, is our value. Our natural intercourse as commodities proves it. In the eyes of each other we are nothing but exchange values**.
>
> **—Marx**, ***Das Kapital***

We can begin to see that the two sides of the commodity might not necessarily get along. We have the basis here of a contradiction. A contradiction arises when two principles that negate one another are embodied within a phenomenon, an object or a system.

Further, we have seen that the twofold character of the commodity is related somehow to the twofold character of labor when it starts producing commodities. On the one hand there is concrete labor, what Marx in *Das Kapital* calls “a special sort of productive activity, the nature of which is determined by its aim, mode of operation, subject, means, and result.”

On the other hand there is abstract labor – which is not a separate activity but is woven into concrete labor. But abstract labor seems to be the polar opposite of concrete labor. It has no specificity or particularity about it. Abstract labor is homogeneous and equivalent, without differentiation, merely an expenditure of

physiological energy.

(We don't know yet why labor becomes abstract – although there are clues in what has been said so far – or how this abstract labor relates to concrete labor, but we will find this all out later.) This has been the basis of how commodities exchange in modern societies. The upside of being able to equate wildly different things has been an enormous expansion of use values available to huge numbers of people (money permitting). Marx was the first to applaud the successes of capitalism.

But we can already see that the internal contradictions between use value and exchange value, and between concrete labor and abstract labor, are a problem. Marx was convinced that these contradictions, as they developed and deepened, eroded the historic justification for capitalism's continued existence.

At this point you might be wondering if you have picked up the wrong book. Perhaps you expected something about exploited workers and greedy capitalists? Well, we will get to them soon, but in order to understand what is at stake in that struggle, what social forces these types really represent, we need to proceed broadly, as Marx did.

> **The method of analysis which I have employed, and which had not previously been applied to economic subjects, makes the reading of the first chapters rather arduous.… There is no royal road to science, and only those who do not dread the fatiguing climb of its steep paths have a chance of gaining its luminous summits**.
>
> **—Marx, Preface to the French edition of *Das Kapital***

The method of analysis Marx employed is called immanent critique. It starts with a simple category (e.g., the commodity) and gradually "unfolds" into more elaborate and complex webs of categories. It is motivated to do so because this "internal" criticism finds contradictions within and between the categories and discovers aspects of reality that the categories cannot explain. This then motivates the critic to develop new categories or refine old ones so they have greater explanatory power.

This is an unusual approach, probably unfamiliar to many readers used to arguments being built around historical narratives and empirical information. Marx's approach was influenced by the German philosophical tradition, especially the great philosopher Hegel. It is a powerful way into the subject because his critique does not depend on Marx arbitrarily applying his own

economic, political and moral yardsticks to capitalism. Instead, by the time Marx has finished, he has exploded his subject – capitalism – from within.

chapter two:
the exchange of commodities

Now we are must enter a magical domain – the land of the market in advanced capitalism. This is the domain where bourgeois economics and politics are at their happiest because the way things *appear* here in the domain of exchange presents capitalism in the best possible light. This is the domain that provides the fertile soil in which many of the ideals and values of capitalist society grow.

> **It is plain that commodities cannot go to market and make exchanges of their own account. We must, therefore, have recourse to their guardians, who are also their owners. Commodities are things, and therefore without power of resistance against man.… In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another, as persons whose will resides in those objects, and must behave in such a**

way that each does not appropriate the commodity of the other, and part with his own, except by means of an act done by mutual consent. They must therefore, mutually recognize in each other the rights of private proprietors. This juridical relation, which thus expresses itself in a contract, whether such contract be part of a developed legal system or not, is a relation between two wills, and is but the reflex of the real economic relation between the two.

—**Marx**, ***Das Kapital***

Marx is being a little ironic here, because we will later find out that commodities do in fact have "power of resistance" against their supposed owners. But our identity as consumers is fostered continually by capitalism within the sphere of exchange. Our sense that being a consumer empowers us is rooted in the daily reality of entering the market. This is a realm apparently of freedom, a realm where commodity owners meet and exchange on the basis of consent. It is a realm of law and a place where we express our individual will. In other words, exchange is not just about economics, it is about how we behave, how we feel, what assumptions we make and what society as a whole validates as "normal."

To look more closely at what goes on in the sphere of exchange we must have some dramatis personae: a Buyer and Seller.

Our Buyer sallies forth into the market in search of a coat. Winter is approaching and our Buyer wants to be prepared.

Our Buyer has in her pocket a commodity which she can exchange for the coat she desires. That commodity is money, which Marx tells us is merely a commodity itself – the commodity in money form.

It is not money that renders commodities commensurable. Just the

> **contrary. It is because all commodities, as values, are realized human labor, and therefore commensurable, that their values can be measured by one and the same special commodity, and the latter be converted into the common measure of their values – i.e., into money**.
>
> —**Marx**, ***Das Kapital***

So our Buyer has the common measure of values in her pocket. Our Buyer knows, because she has experienced the way the market works since she was a little child, that without this special commodity in her pocket, she will not have any "will" or agency in the marketplace. Only the absolutely penniless experience the market as an utter rejection. With a few coins, we can all enter the market clothed with a sense of purpose, no matter how threadbare.

That purpose is felt to be our own. And at one level, it really is. It is our Buyer who has decided that among all the things she needs, today she needs to buy a coat. No one commanded our Buyer to enter the market. And in the market, no Seller can command our Buyer to part with their money. Nevertheless, our Buyer must enter into the market to meet her needs. The one thing that our Buyer cannot buy is an opt out from the market.

Within the market our Buyer passes other Buyers. Some of them are more wealthy than our Buyer. Some are less wealthy. But all are buying with the same material, the same money. There is not one means of exchange for some people and another means of exchange for others. Sometimes, people of very different economic means will even buy the same goods in the same shops. But from the exchange itself, you see only an identical act of buying.

In his work *Grundrisse*, a series of notes that formed the preparations for what would become *Das Kapital*, Marx writes:

> **A worker who buys a loaf of bread and a millionaire who does the same appear in this act only as simple buyers, just as, in respect to them, the grocer appears only as a seller**.
>
> —**Marx**, ***Grundrisse***

Our Buyer is not overtly aware of such social differences, but still hurries past shops she knows she doesn't want to spend money in because she can afford to spend more on a coat than the coats these shops generally sell. Our Buyer also loiters outside the windows of other shops that sell clothes at prices more than she wishes to spend. It is not that such coats are absolutely out of our Buyer's ability to buy. But our Buyer has many needs, both today and tomorrow, and each need costs money in the market. So our Buyer must weigh and assess each

purchase in relation to how much of that special commodity she has available to her that measures the values of other commodities.

Eventually our Buyer finds the coat she desires and exchanges $100 for it. At that magical moment, value undergoes a change of form. The money that was in the pocket of our Buyer is transformed into the coat which has a use value that our Buyer wants. The coat that was in the shop is transformed into the money that left our Buyer's pocket.

> **The conversion of a commodity into money is the simultaneous conversion of money into a commodity**.
>
> —**Marx**, ***Das Kapital***

The shop assistant wishes our Buyer "a nice day" but both Buyer and Seller know that their relationship is entirely limited to the act of exchange.

> **The persons exist for one another merely as representatives of, and therefore as owners of, commodities**.
>
> —**Marx**, ***Das Kapital***

Our Buyer leaves the shop and passes a homeless person begging for money. A bit exhausted by the process of shopping but satisfied by the result, our Buyer purchases a newspaper and enters a café for a quick respite. While there she reads in the newspaper that a new report shows that inequality has grown in the last ten years. In the financial pages, however, she reads that profits are up for a number of big retail companies.

Now, if we look at what has just happened we can see how our Buyer would feel that her "will" has been expressed in the exchange of commodities. We can see too that even when our Buyer is aware of some limits on her agency (as when she was looking into the windows of the expensive shops) it is nevertheless her own rational calculation of her situation that is responsible for the decision to spend only this much on a coat.

If she had decided to spend more than she strictly had, perhaps by using a credit card, no seller would have told her that perhaps she should think again. The Buyer appears to be, for better or worse, the master of her world.

> **Out of the act of exchange itself, the individual … is reflected in himself as its exclusive and dominant (determinant) subject. With that, then, the complete freedom of the individual is posited: voluntary transaction; no force on either side; positing the self … as dominant and primary**.
>
> **—Marx**, ***Grundrisse***

After all, our Buyer has just exchanged $100 for a coat which will be very useful in the winter. Now, does our Buyer feel she got “value for money”? This is an interesting expression. What does it imply? It suggests that when we exchange a given amount of money for a commodity we desire, we are getting back an equivalent amount of value embodied in the commodity.

> **Price is the money-name of the labor realized in a commodity. Hence the expression of the equivalence of a commodity with the sum of money constituting its price is a tautology**.
>
> **—Marx**, ***Das Kapital***

Now, this is a bit strange. Our Buyer appears to have exchanged an equivalent for an equivalent. Exactly, as Marx notes, a tautology. She has handed over $100 for a coat that embodies $100 of human labor in it. But if this is how the market works, why did our Buyer pass shops she did not wish to shop in, pass shops she wished to shop in but could not afford to, encounter a beggar in the street, and read news of growing inequality alongside news of rising profits for big retail companies?

The exchange of equivalents does not appear to be able to address these aspects of reality. Marx is quite adamant, though, that this is indeed what often happens.

> **The whole process effectuates … nothing more than an exchange of products. If commodities, or commodities and money, of equal exchange value, and consequently equivalents, are exchanged, it is plain that no one abstracts more value from circulation than he throws into it**.
>
> —**Marx**, ***Das Kapital***

Perhaps, though, we could explain some of the things in our little scenario by the fact that very often equivalents are not exchanged?

After all, there are a number of situations where this might happen.

For example, where demand is much higher than supply, then prices rise above the value embodied in commodities.

Or where a market is dominated by a few large companies, the absence of

competition can again push prices up above the value embodied in them.

Or again some people can be persuaded to pay more money for a product than they are strictly "worth" because a brand label is attached to the commodity.

All these things are true, but they would not explain any of the differences in wealth that we observed in our scenario. We cannot really believe that our beggar is a beggar because he or she made a series of extremely poor purchasing decisions marked by overpayment.

Nor can we believe that that is why social inequality in general is growing, according to the newspaper report.

We cannot believe that the millionaire in the grocery shop is a millionaire simply because he or she only makes purchases in very competitive markets where "good value for money" is always obtained. A society run along these lines would make brand-led purchases (with their inflated prices) inexplicable and indeed impossible.

Moreover, we know that supply often exceeds demand. We know that there are times when companies engage in cut-price competition. And we know there are markets in goods which do not depend on brands to inflate prices.

So what we have seen so far in the act of exchange cannot explain the signs of inequality and social stratification hiding beneath the surface of the market. Crucially it does not explain how value is generated. Nor does it explain how it is possible for some people to consistently appropriate more value – a surplus – than they commit to the market.

Suppose our Buyer paid $110 for a coat worth $100. In such a situation, the Seller has enticed $10 more out of the Buyer's pocket than before. This simply means that the Buyer has $10 less to spend on something else – which is both her loss and a loss to another Seller. As Marx says, on selling dear:

> **The value in circulation has not increased by one iota, it is only distributed differently.… The sum of values in circulation can clearly not be augmented by any change in their distribution**.
>
> —**Marx**, ***Das Kapital***

Of course, our Buyer cannot be just a buyer. In a market society Buyers and Sellers are positions which all people occupy at different times. Perhaps our Buyer is also a Seller who has managed to exchange a commodity worth $90 for $100. In that case as a Seller, our Buyer has enticed $10 more out of the pocket of another Buyer than she herself put onto the market. Again this simply means that this second Buyer has $10 less to spend elsewhere. If our second Buyer continued to do so then this person would eventually end up as a beggar in the

street. But this behavior is inexplicable. We have seen that as Buyers and Sellers we are encouraged to be rational and calculative. We might make the odd mistake, but to systematically hand over more value than we get back is contrary both to our interests and contrary to the way the market explains market behavior.

> **Turn and twist then as we may, the fact remains unaltered. If equivalents are exchanged, no surplus value results, and if non-equivalents are exchanged, still no surplus value. Circulation, or the exchange of commodities, begets no value**.
>
> **—Marx**, ***Das Kapital***

So we have a conundrum. Market mechanisms cannot explain the origins – the production – of the very substance, *value*, which market mechanisms exist to exchange.

This limitation to the explanatory power of market categories also affects all politics, economics and cultural spheres that base themselves on expressing only market categories and categories that do not question what Marx called the appearance or "phenomenal" form of capitalist or bourgeois society.

> **In present bourgeois society as a whole, this positing of prices and their circulation, etc., appears as the surface process, beneath which, however in the depths, entirely different processes go on, in which this apparent individual equality and liberty disappear**.
>
> **—Marx**, ***Grundrisse***

From what we have seen already, it is clear that Marx's *Das Kapital* is not just a work about economics. Nor do its implications affect only economics. The whole domain of human culture and consciousness under capitalism is powerfully impacted by what we can broadly call "market ways of thinking." The limited explanatory power of market categories, matched with the extensive

presence of the market in every aspect of our lives, is likely to encourage ways of thinking that are profoundly inadequate to reality. In “the depths” of reality, something very different is going on from the surface.

For example, and to return to the economic side of things, market categories of supply and demand, buyers and sellers, prices and money, and so forth, cannot explain economic crises.

> **Nothing can be more childish than the dogma, that because every sale is a purchase, and every purchase a sale, therefore the circulation of commodities necessarily implies an equilibrium of sales and purchases**.
>
> —**Marx**, ***Das Kapital***

We are not yet in a position to know why sale and purchase may not necessarily go hand in hand in harmony, but Marx notes that the very categories imply both a connection and a separation.

> **If the interval in time between the two complimentary phases of the complete metamorphosis of a commodity becomes too great, if the split between the sale and the purchase become too pronounced, the intimate connection between them, their oneness, asserts itself by producing a crisis**.
>
> —**Marx**, ***Das Kapital***

We have seen that this market economy also implies a certain way of relating to other people that is a certain kind of society. At this stage we can note a very curious paradox about the relationship between people in such a society:

> **The only force that brings them together and puts them in relation with each other is the selfishness, the gain and the private interests of each. Each looks to himself only, and no one troubles himself about the rest, and just because they do so, do they all, in accordance with the pre-established harmony of things, or under the auspices of an all-shrewd providence, work together to their mutual advantage, for the common weal and in the interest of all**.
>
> —**Marx**, ***Das Kapital***

Just as market categories assume a tendency towards equilibrium, so a market society assumes that social unity and harmony can be built on the back of the pursuit of self-interest! No wonder Marx has some satiric fun with that idea.

But let us return to the essential economic contradiction: Market categories cannot explain the origin of the very substance they are designed to exchange. *Value*.

To solve this mystery we have to take our leave from the “noisy sphere” of exchange

> **where everything takes place on the surface and in view of all men**.

Instead we will have to descend

> **into the hidden abode of production, on whose threshold there stares us in the face “No admittance except on business.” Here we shall see, not only how capital produces but how capital is produced. We shall at last force the secret of profit making**.
>
> **—Marx**, ***Das Kapital***

chapter three:
circulation and the buying of labor-power

But not so fast! Before we descend into the hidden abode of production we must take a longer look at the sphere of circulation – that is, the series of exchanges by which value circulates through the economy.

We will see that the sphere of circulation connects with the sphere of production. We will also see that there are two very different types of circulation going on. They are also connected but they represent very different social interests. We must take what we learn here about circulation with us into the "hidden abode" because how capital circulates has a big impact on the process of production. But we must also disentangle how the sphere of circulation and exchange appears to us in its phenomenal form, from how it really is.

How did our Buyer obtain the money to buy the coat? What did our Buyer sell in order to buy? The answer obviously is that our Buyer sold her labor power in the market; in other words, our Buyer went to work. In a capitalist society this is the exchange which most people have to make in order to survive. In exchange for her labor power, our Buyer obtains money, and with that money, our Buyer buys a coat. This circuit of exchanges looks like this: **C – M – C**

C = Commodity (labor power)
M = Money
C = Another Commodity (e.g., a coat)

The circuit C-M-C starts with one commodity, and finishes with another, which falls out of circulation and into consumption. Consumption, the satisfaction of wants, in one word, use value, is its end and aim.

—**Marx**, ***Das Kapital***

This circuit of exchange has a number of important features:

1) It begins with one commodity and ends with a completely different commodity.

2) In principle, there is no intrinsic reason why the first commodity and the second commodity, although different in their qualities, are not of equivalent value.

3) This second commodity is withdrawn from circulation and is consumed.

4) The satisfaction of human wants is the end and aim of this circuit of exchange.

This circuit of exchange is what most of us engage in everyday. It is also utterly different from the circuit of exchange that characterizes capital. That circuit of exchange looks like this: **M – C – M+**

M = Money
C = Commodity
M+ = More Money

> **The circuit M – C – M+, on the contrary, commences with money and ends with money. Its leading motive, and the goal that attracts it, is therefore more exchange value**.
>
> —**Marx**, ***Das Kapital***

This circuit of exchange has a number of important features which contrast with C – M – C, the circuit the majority of people are engaged in:

1) It begins with money and ends with MORE money – *money plus*.

2) M+ occurs within the sphere of circulation and has no concern with the satisfaction of human wants.

3) The aim of this exchange is to add value to the amount it began with.

4) On the surface, more money or value seems to arise from money itself.

This then is the circuit of exchange that characterizes a small minority of social actors.

> **The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus value or expands itself. It is this movement that converts it into capital**.
>
> —**Marx**, ***Das Kapital***

The expansion of M into M + is what makes capital capital. The need to expand – not preserve, but grow bigger – is central to it. On the surface it appears as if money begets money simply through the process of exchange.

> **As a periodic increment of the capital advanced, or periodic fruit of capital in process, surplus value acquires the form of a revenue flowing out of capital**.

—**Marx**, ***Das Kapital***

Marx contrasts the two circuits of exchange:

> **The simple circulation of commodities – selling in order to buy – is a means of carrying out a purpose, unconnected with circulation, namely, the appropriation of use value, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits**.
>
> —**Marx**, ***Das Kapital***

Capital has no limits – in principle, it has no limits of any kind. Not only does it have no limits in terms of growth or profits, it has no intrinsic moral limits. Whatever limits it does have must be constraints put on capital from the outside – for example, by laws. Capital itself recognizes only one thing: the need to create more of itself. It is hugely important to recognize two things about this circuit of exchange: First, it moves according to a logic quite independent of human desire or need or control. Secondly, this circuit, although it represents the activity of a minority of people, is dominant. Its logic bathes and suffuses all of social and economic life.

For example, one of the most important institutional forms that economic activity takes is the modern corporation. Operating according to the logic of M – C – M +, the corporation behaves in a pathological way.

> **Business leaders today say their companies care about more than profit and loss, that they feel responsible to society as a whole, not just to their shareholders. Corporate social responsibility is their new creed, a self-conscious corrective to earlier greed-inspired visions of the corporation. Despite this shift, the corporation itself has not changed. It remains, as it was at the time of its origins as a modern business institution in the middle of the nineteenth century, a legally designated "person" designed to valorize self-interest and invalidate moral concern. Most people would find its "personality" abhorrent, even psychopathic, in a human being, yet curiously we accept it in today's most powerful institution**.
>
> —**Joel Bakan**, ***The Corporation***

Perhaps one reason why we accept the imperatives of capital is that it appears, superficially, to be doing something very similar to what the rest of us are doing in the marketplace. Both circuits involve sale and purchase. And both have

> **the same material elements, a commodity and money, and the same economic dramatis personae, a buyer and a seller**.
>
> **—Marx**, ***Das Kapital***

But the money in our pockets is just money, waiting to be exchanged for use values we need. The money in circulation as capital seeking further expansion is very different.

> **Money as a sum of money is measured by its quantity. This measuredness contradicts its character, which must be orientated towards the measureless**.
>
> **—Marx**, ***Grundrisse***

So the two circuits reflect the tension that we also found in the commodity itself, the tension between use value and exchange value. In the UK, more than 20,000 pensioners die every winter from illnesses brought on by the cold weather. Many of these deaths occur because pensioners cannot heat their homes. Now, it is not that there is some technological problem that prevents the houses of retired people being adequately heated. It is simply that they cannot afford to heat their homes adequately. In other words, the exchange value of gas and electricity as commodities is more important than its use value (keeping

people warm during the winter). And so as a result, every winter in the UK, the equivalent of around 50 jumbo jets full of pensioners crash, killing everyone on board.

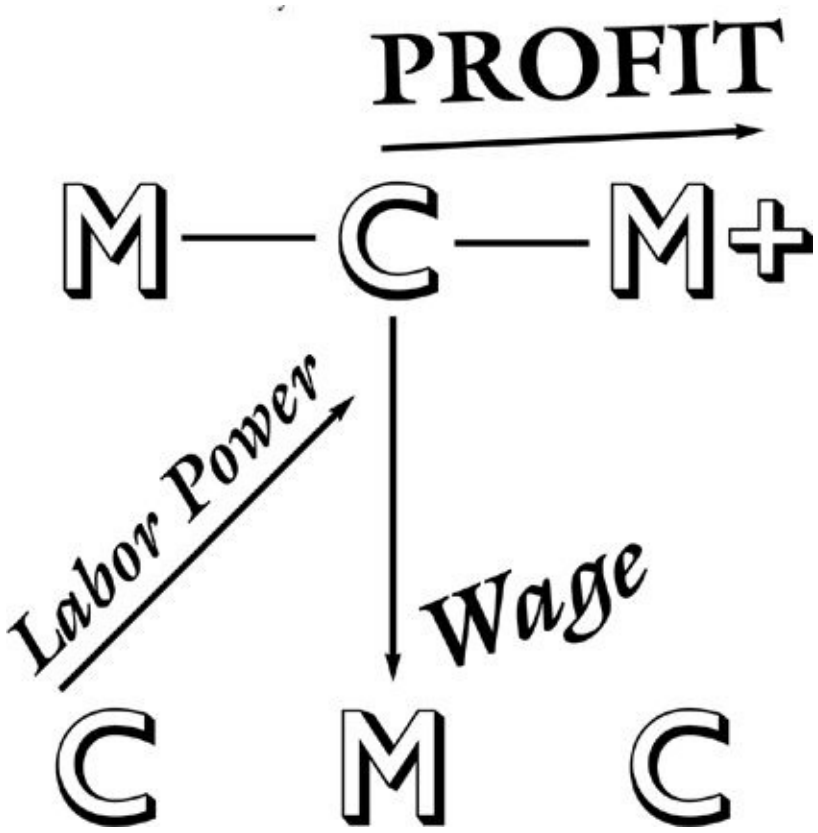
But one of the characteristics of market economics is that the harm it causes typically occurs non-simultaneously and in a dispersed way. So unlike fleets of jumbo jets falling out of the sky, or the violence of state forces, the violence of market economics can be very hard to perceive, let alone make visible in a way powerful enough to affect change.

The question of capital's thirst to overcome all limits, all boundaries, takes us to the heart of a very important contradiction within capitalism. The ideal world for capitalism would be one without limits. But matter, by definition, always has some physical structure to it, as do use values. All physical matter therefore has certain limits. But if your entire economy is striving to overcome the limits of, say, human beings or natural resources, then it is likely that the two standards – of limits on the one hand, and limitlessness on the other – will clash. This, for example, underlies the catastrophic Deepwater Horizon oil disaster in the Gulf of Mexico in 2010.

Let's have a look at how the two circuits of exchange are interconnected. The majority of people are involved in the circuit of simple exchange or C – M – C. Their fate is to become directly incorporated into the circuit M – C – M +.

Look at C – M in the C – M – C circuit. We have implied that the C being sold for M is the ability to work. Hence the ability to buy the second C and consume its use values (e.g., a winter coat).

Now look at the circuit of capital. Look at the M – C exchange. What is the C that Mr. Moneybags buys? Of course it is that which is sold in the circuit of simple exchange – the ability to work. Work has become a commodity to be purchased. Something wonderful happens, from the perspective of the capitalist when he or she "consumes" this commodity. It leads to M-*PLUS*.



> **In order to be able to extract value from the consumption of a commodity, our friend Moneybags must be so lucky as to find, within the sphere of circulation, in the market, a commodity whose use value possesses the peculiar property of being a source of value.… The possessor of money does find on the market such a special commodity in capacity for labor or labor power**.
>
> —**Marx**, ***Das Kapital***

We already know that Marx believes that human labor, working with the raw materials furnished by nature, is the source of all social wealth. Therefore it stands to reason that profit, which is the form that wealth takes under capitalism, must derive from the capacity to labor.

Is this a big secret? Surely in our heart of hearts, we know this to be true. And yet, the fact that labor is the source of all social wealth and of profit in capitalist societies finds very little public and institutional expression or validation. Why?

Obviously at one level it is because it does not suit the interests of the buyers of human labor power to be so visibly living at the expense of the sellers. Surely, the counterargument goes, the buyer, Moneybags, brings something to the table? Moneybags brings money for a start and as we have seen, money does appear to

beget more money. And doesn't Moneybags bring an idea, the willingness to take a risk, a method of doing something as well?

These and other justifications for the way things are, however, would be less powerful and less persuasive if capitalism were not in some way hardwired to conceal inequalities. This process of concealment is quite unique to our present mode of production.

For example, under feudalism, peasants would typically work some of their time on their own small land holdings and some of the time on the land of the lord.

While peasants work their own land, they are performing labor that is necessary to support themselves and their families. This Marx calls NECESSARY LABOR. When they are working for the lord, peasants are performing SURPLUS LABOR – that is, they are producing wealth above and beyond what they, the direct producers, need to survive, and that surplus is going to the lord.

This exploitation is very clear because the division between the labor that peasants perform for themselves and the labor that they perform for the lord is clearly divided in space and time. Such clarity is, as we shall see, completely missing when it comes to capitalism.

Now, the simple fact is that unless human labor produced a "surplus" – that is, unless it produced more than the laborer needs for bare survival – then there would be no such thing as human civilizations. Human labor would be more akin to animal labor, governed by instinctual imperatives, merely producing and consuming for immediate needs of bare survival. Slowly, painfully, over many thousands of years, human labor has gradually increased its ability to produce.

> **Without a certain degree of productiveness in his labor, he has no superfluous time at his disposal; without such superfluous time, no surplus labor and therefore no capitalists, no slave owners, no feudal lords: in short, no class of large proprietors**.
>
> —**Marx**, ***Das Kapital***

Marx certainly appreciated irony. Human labor's creativity both liberates and curses humankind, opening up both progress and class division and exploitation simultaneously. Class exploitation does then have, at one level, some basis in the nature of human labor – its ability to create surpluses. As Marx writes:

> **There is no natural obstacle absolutely preventing one man from disburdening himself of the labor requisite for his own existence, and**

burdening another with it, any more, for instance, than unconquerable natural obstacles prevent one man from eating the flesh of another.

—Marx, ***Das Kapital***

But while exploitation may be made possible by the nature of human labor, that does not make it desirable or inevitable, any more than the possibility of cannibalism makes the actual practice of it the best of all possible worlds. Yet capitalism does impress on us a sense that it is natural, inevitable and desirable. Concealing its exploitative character is central to this.

We saw that the act of exchange appears to be one which is the expression of individual will and is characterized by an absence of the sort of force that the feudal lord could exert over recalcitrant peasants. The same sort of free and equal dispensing of property seems to also regulate the buying and selling of labor power. Marx caustically describes the act of exchange as "in fact a very Eden of the innate rights of man," underpinned by freedom, equality and property.

Freedom, because both buyer and seller of a commodity, say of labor power, are constrained only by their free will. They contract as free agents, and the agreement they come to is but the form in which they give legal expression to their common will. Equality, because each

> **enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own**.
>
> **—Marx**, ***Das Kapital***

So the buyer of labor power and the seller of such meet in the market, both equal in the eyes of the law. But why does anyone come to the market to sell their labor power?

> **In order that a man may be able to sell commodities other than labor power, he must of course have the means of production, such as raw materials, implements, *etc.* No boots can be made without leather**.
>
> **—Marx**, ***Das Kapital***

If you do not have the means to make boots or anything else to sell on the market, if you do not have the means to produce the goods that can ensure your survival, such as food, clothes, shelter and so forth, then pretty soon you are not going to be in much of a condition to do anything.

> **The owner of money must meet in the market with the free laborer, free in the double sense, that as a free man he can dispose of his labor power as his own commodity, and that on the other hand he has no other commodity for sale, is short of everything necessary for the realization of his labor power**.
>
> **—Marx**, ***Das Kapital***

In short, the owner of money must meet in the marketplace other people who are free to either work or starve. We can begin to see here the emergence of a set of class relations that are quite specific and unique to capitalism.

> **Nature does not produce on the one side owners of money or commodities, and on the other men possessing nothing but their labor power. This relation has no natural basis, neither is its social basis one that is common to all historical periods. It is clearly the result of a past historical development, the product of many economic revolutions, of**

> **the extinction of a whole series of older forms of social production**.
>
> **—Marx, Das *Kapital***

Marx knows how to tell a big story – his narrative arc covers many thousands of years, even if his main focus is on the recent rise of capitalism. Some of those older forms of social production that have been erased in the course of creating free sellers of labor power include feudalism, with its peasant small holdings and common lands, slavery and "primitive" communal societies. All these modes often had small market exchanges as part of them or in trade agreements between tribes. But the goods produced for such market exchanges were made by people who owned their own means of production, as individuals or as part of common property. Capitalist markets are quite different. Capitalism

> **can spring into life only when the owner of the means of production and subsistence meets in the market with the free laborer selling his labor power. And this one historical condition comprises a world's history. Capital therefore announces from its first appearance a new epoch in the process of social production**.
>
> **—Marx**, ***Das Kapital***

So our dramatis personae have gradually changed, from buyers and sellers, into Capitalists and Workers. Capitalists own the means of production. Workers do not and must therefore sell their labor power to the owners of the means of production in order to sustain themselves. The new epoch is characterized by a massive dependence on these market relations. Their disempowering nature is evident in the way that today working for yourself, setting up your own business, is powerfully attractive to many people, despite the risks and the disadvantage of having to fight Big Capital.

The self-employed person is something of a cultural hero or heroine in our time. And people still cling onto, in a residual form, the kinds of independence from the market that was typical in feudal times, for example.

Community gardens or allotments around the world allow people to grow their own vegetables and thus achieve some small economic independence from the market, but also, probably more importantly, gain a considerable amount of psychological satisfaction in working outside the market for labor power.

In the UK, allotments first emerged as small compensations for the large-scale taking into private hands of what was common land back in the sixteenth century. Today in the UK there are still around 300,000 allotments producing some 215,000 tons of fresh produce annually. This residue of the past can also be

seen as an anticipation of a different future.

Let us now look a little more closely at this commodity, labor power. How is the value of this commodity determined?

> **The value of labor power is determined, as in the case of every other commodity, by the labor-time necessary for the production, and consequently also reproduction, of this special article**.
>
> **—Marx**, ***Das Kapital***

Labor power is of course part of the living human individual. The labor time necessary for the production and reproduction of the living human individual is reflected in the wage that provides the worker with the means of subsistence necessary for their maintenance.

> **If the owner of labor power works today, tomorrow he must again be able to repeat the same process in the same conditions as regards health and strength. His means of subsistence must therefore be sufficient to maintain him in his normal state as a laboring individual**.
>
> **—Marx**, ***Das Kapital***

Marx is aware that what counts as an acceptable level of maintenance for the reproduction of labor power varies according to the historical, economic and political context.

> **In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labor power a historical and moral element**.
>
> **—Marx**, ***Das Kapital***

This “moral” element opens up a whole dimension of struggle around what constitutes a “right” or “just” level of subsistence. By subsistence, Marx does not mean a timeless, eternal sense of “making do.” The “historical” element that

Marx cites here recognizes that what counts for an acceptable level of subsistence in one period would provoke riots in another.

Marx is also aware that human labor power must be trained for different jobs in various branches of industry and the economy. He notes that this special education or training enters into the costs of production of labor power and produces a differentiated labor force.

> **All labor of a higher or more complicated character than average labor is expenditure of labor power of a more costly kind, labor power whose production has cost more time and labor, and which therefore has a higher value than unskilled or simple labor power**.
>
> —**Marx**, ***Das Kapital***

Finally the wage must support not only the worker, but their dependents, so that future generations of laborers will enter the market and sell their labor power.

> **The labor power withdrawn from the market by wear and tear and death must be continually replaced by, at the very least, an equal amount of fresh labor power. Hence the sum of the means of subsistence necessary for the production of labor power must include the means necessary for the laborer's substitutes – i.e., his children – in order that this race of peculiar commodity owners may perpetuate its appearance in the market**.
>
> —**Marx**, ***Das Kapital***

The wage then constitutes the cost of labor power. This cost reflects the historically and morally determined level of subsistence in a given society. The wage therefore reflects the NECESSARY LABOR that laborers must expend in order to reproduce themselves, just as feudal peasants had to necessarily spend a historically and morally determined period of time working on their own land in order to reproduce their means of subsistence.

But whereas feudal peasants spent a period of time visibly working for the feudal lord, workers in modern capitalism simply carry on working at the job in hand. Quietly and invisibly, the labor time that they must expend in order to sustain themselves (Necessary Labor Time) turns into labor they are expending in the service of the capitalist who has bought their labor power. This Surplus Labor Time is the basis of that increment of money or profit that we saw in the circuit of capital: M – C – M+.

The course of the workday then is divided up between:

Necessary Labor (for example, 5 hours) + Surplus Labor (for example, 5 hours).

Necessary Labor Time = the time necessary to produce enough social wealth in the form of a wage to reproduce the worker (and dependents).

Surplus Labor Time = the time the worker is working for free, producing the social wealth that will be appropriated by the capitalist.

But since no bell tolls during the workday to inform the worker that they are now entering Surplus Labor Time, the theft of the worker's time and wealth produced is far from obvious.

> **That which comes directly face to face with the possessor of money on the market is in fact not labor, but labor power**.
>
> —**Marx**, ***Das Kapital***

This distinction is critical. The cost of labor power is the cost of reproducing the living individual in whom the capacity to labor is embodied. But labor power itself produces more value than it costs to buy. Hence Surplus Labor Time and Surplus Value.

> **The value of labor power, and the value which that labor power creates in the labor process, are two entirely different magnitudes; and this difference of the two values was what the capitalist had in view when he**

was purchasing the labor power.

—**Marx**, ***Das Kapital***

Let us take a simple example and examine the process of value production and the way paid and unpaid labor merges into one.

Remember our coat buyer? We now find out she works in a café that is part of a chain of such places. We are going to look, rather artificially, at one part of the job she does and break it down. We catch our former Buyer, now a worker, making an avocado sandwich for a customer.

the value of an avocado sandwich

An avocado sandwich is made up of the following raw materials:

Bread, sprouts, avocado, lettuce, tomato, condiment and a handy paper bag to pop said sandwich in once it is made. Let us say that these raw materials cost 80 cents.

Generally it takes our worker 2 minutes to make an avocado sandwich. We assume that this is the average, socially necessary labor time required to produce such a sandwich.

> **The labor power itself must be of average efficacy. In the trade in which it is being employed, it must possess the average skill, handiness and quickness prevalent in that trade**.
>
> —**Marx**, ***Das Kapital***

If our worker did not possess the average skill, handiness and quickness prevalent in food preparation of this relatively simple kind, then the capitalist firm employing her would be losing out to competitors. If it took our worker 3 minutes on average to make an avocado sandwich but the social average for avocado sandwich-making was 2 minutes, then the employer has lost one minute of surplus labor time to this particular worker’s tardy necessary labor time. So the capitalist must

> **ensure that the labor time spent on the production of commodities is necessary labor time and does not overstep the average labor time that is socially necessary for the production of these commodities**.
>
> —**Marx**, ***Das Kapital***, **volume III**

(Author's note: Volumes II and III were published after Marx's death in 1883. Vol. III, unfinished, broke off at the start of a chapter on social classes. Marx originally planned six volumes, an effort that would probably have required he live past a hundred.) So, we will assume that our particular worker is right on the social average and it takes her two minutes to make an avocado sandwich. Notice that socially average labor time now refers to both 1) the socially average length of time workers must work in order to reproduce themselves as labor power tomorrow and 2) the socially average length of time workers must work to produce a given commodity or component part of the commodity.

Now, let us say that our worker is paid $6.00 per hour. That means that for every two minutes she works, she gets 20 cents.

Hence:

Raw Materials = 80 cents.

Cost of Labor Power = 20 cents.

Total cost of Avocado Sandwich = $1.00.

Sale Price: $2.00.

Total Profit $1.00 or 100%.

This is how the capitalist would view things. Profit is accounted by the difference between the cost of production and the sale price. But ultimately this cannot explain the source of value, as we have already seen.

Now let us put on our Marxist spectacles and look at the process again. We will see that the cost of production is not in fact $1.00.

Raw Materials 80 + Wage 20 + Surplus Value = 100

Here the average socially necessary labor time creates $1.20 worth of value (20 wage + 100/$1.00 surplus value) and this is added to the 80 raw materials required to make the sandwich. But the worker gets paid only 20 cents. In other words, over the 120 seconds it takes to make the avocado sandwich, the worker is working for her wage for just 20 seconds and is working unpaid for 100 seconds. There can be under capitalism no fair exchange between worker and capitalist.

This exchange of equivalents … is only the surface layer of a

> **production which rests on the appropriation of … labor *without exchange*, but with the *semblance of exchange*.**
>
> **—Marx, *Grundrisse***

The 20 seconds corresponds to necessary labor time (necessary not for the production of a use value, which here takes 120 seconds, but for the production of enough value for the worker to reproduce herself). The 100 seconds corresponds to the surplus labor time (surplus not in terms of how long it takes to produce a utility – which is here 120 seconds – but the surplus labor or unpaid labor or surplus wealth that is flowing into the pocket of the employer).

We are getting the figure of 100/$1.00 for surplus value by assuming that the sale price of $2.00 is more or less equivalent with the value that has been produced. In other words, we're assuming that the worker has performed the job in line with the social average and that the capitalist is selling the commodity at its value and not inflating the price.

Note how in the capitalist accounting process, everything is given a magnitude except surplus value. The cost of raw materials (80), the cost of labor (20), the total cost price as far as the capitalist sees it (100), the sale price (200) – all these have numbers attached to them. Surplus value (100) only turns up later on in the accounts as profit and by then its origins have been thoroughly concealed and explained instead as the difference between the cost of production for the capitalist and the sale price.

The value of the avocado sandwich is in fact more than its cost price for the capitalist.

> **The value contained in a commodity is equal to the labor time taken in making it, and this consists of both paid and unpaid labor. The costs of the commodity for the capitalist, on the other hand, include only the part of the labor objectified in it for which he has actually paid. The surplus labor contained in the commodity costs the capitalist nothing, even though it costs the worker labor every bit as much as the paid labor does, and even though both paid and unpaid labor create value and enter the commodity as elements of value formation. The capitalist's profit, therefore, comes from the fact that he has something to sell for which he has not paid. The surplus value or profit consists precisely in the excess of commodity value over its cost price – i.e., in the excess of the total sum of labor contained in the commodity over the sum of labor that is actually paid for**.
>
> —**Marx**, ***Das Kapital***, **Volume III**

The value of the avocado sandwich is equal to the labor time taken in making it (80 raw materials, 20 wages, 100 surplus value), although it costs the capitalist only $1.00 (80 + 20). The other $1.00 of social wealth has been pocketed by the capitalist for free when the commodity is sold at its value ($2.00), giving the capitalist a 100% profit over the cost price (to the capitalist) of $1.00. But the cost price to the worker is measured by the theft that has taken place.

> **The wage-form thus extinguishes every trace of the division of the workday into necessary labor and surplus labor, into paid and unpaid labor. All labor appears as paid labor**.
>
> —**Marx**, ***Das Kapital***

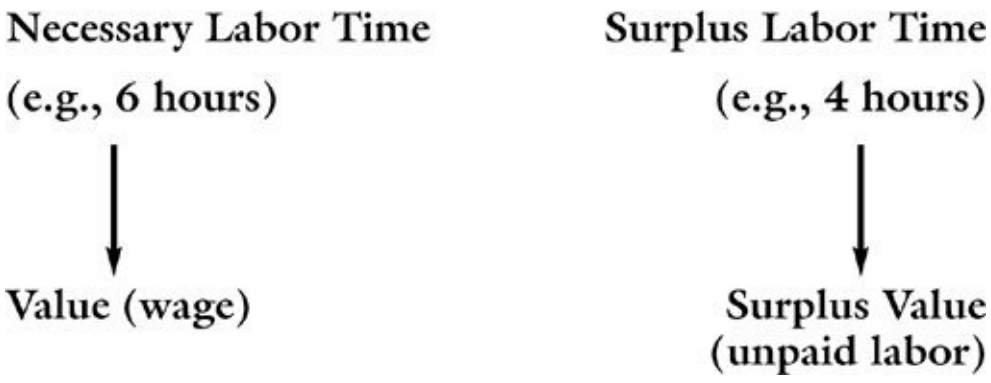
chapter four: value

We have seen that Marx divides the working day, week or year between necessary labor time and surplus labor time. Necessary labor time refers to the time necessary to produce the value equivalent to the necessities which workers require to live in the comfort or discomfort that they are used to or will accept. This is reflected in the wage.

> **If the value of those necessaries represents on average the expenditure of six hours' labor, the workman must on an average work six hours to produce that value**.
>
> **—Marx**, ***Das Kapital***

Marx calls surplus labor time that period of labor that exceeds necessary labor time (reflected in the wage) when workers produce no value for themselves.

> **He creates surplus value, which for the capitalist has all the charms of a creation out of nothing**.
>
> **—Marx**, ***Das Kapital***



This means a perpetual, ceaseless pressure on the worker in order to expand the value of surplus labor time.

Looking at value creation and surplus value creation, Marx states:

> **If we now compare the two processes of producing value and of creating surplus value, we see that the latter is nothing but the continuation of the former beyond a definite point. If on the one hand the process be not carried beyond the point, where value paid by the**

> **capitalist for the labor power is replaced by an exact equivalent, it is simply a process of producing value; if, on the other hand it be continued beyond that point, it becomes a process of creating surplus value**.
>
> —**Marx**, ***Das Kapital***

Now that is a little odd. If capital only got back from labor power what it had paid to labor power in the form of a wage, then it would not be capital for long. Capital as a system requires expansion. It requires surplus value, which requires surplus labor time.

Another way of looking at this is to ask a question. Is the social problem Marx is criticizing only the fact that *surplus* value is appropriated by capital? Or is the problem more profound? Is the problem with *value* production itself – with the production of *value*?

If you believe that the problem is just that surplus value is being taken by private capital, then you are more likely to believe that some institutional form that represents society as a whole – the state – can take control of the surplus and distribute it more fairly.

That is in fact how Marx's project has often been interpreted and in many countries, state ownership of important resources have indeed ensured more equal access to social wealth. But a more radical interpretation of Marx says that as long as we are engaged in *value* production, then there will always be class control by those who own the means of production, whether in the form of private property or state control. That is a much more radical interpretation – and opens up a much more radical project: the *end* of value production and not just a fairer distribution of value.

To appreciate this we have to ask again: What is value? It is by far the most difficult term in the whole of Marx's work – far more difficult than "capital," which it is closely related to and which is much more familiar. After all, the words "capitalist" and "capitalism" are pretty familiar to people, whereas we don't tend to talk about "valuists" and "valuism"!

To understand the notion of value we are going to have to get a little bit "metaphysical." That is, we are going to have to think about things that transcend the physical world open to the senses. Why? Because, in a way, that is exactly what capitalism does.

What for example is capital's attitude to the use values it buys? First, let's look at the use value of labor power. The capitalist is not interested in the particularities of this or that labor activity. In the buying of labor power:

> **What really influenced him was the specific use value which this commodity possesses by being *a source not only of value, but of more value than it has itself*.**
>
> **—Marx, *Das Kapital***

So capital's relationship to the physical particularity of a particular kind of job, is, well, brutally pragmatic. It is there to create value, and if this can be done better by farming coffee one year and peanuts the next, then so be it. Of course, if you are a farmer who cannot simply switch from one to the other at the drop of a hat to keep up with the ups and downs of global market prices, well then, remember, you are always free to starve.

What about the commodities which labor power produces? What, we might ask, is capital's attitude to these use values? Well, not much different, of course.

> **Use values are only produced by capitalists, because, and in so far as, they are the material substratum, the depositaries of exchange value**.
>
> **—Marx, *Das Kapital***

The ancient Greek philosopher Plato saw physical reality as a realm of merely secondhand, slightly tawdry embodiments of metaphysical ideas or Forms. So a chair is merely a reflection of the pure Form of a chair. This was a rather bizarre but nevertheless harmless notion by a philosopher. Unfortunately, capital sees use values in similar terms, but is anything but harmless and does not simply exist in the heads of economists. For capital, use values are merely material deposits for its own ideal Form, which happens to be a very real economic system: value production. Unlike Plato's Forms, value as a social form will impact on how, where, why and when chairs are made.

Goods destined for individual consumption that have been made primarily to expand value rather than produce use values will often have negative and damaging consequences for individuals. Here again the tension between use value and exchange value reflects the tension between the use value of labor and its value-creating potential for capital.

> **Just as commodities are, at the same time, use values and values, so the process of producing them must be a labor process, and at the same time, a process of creating value**.
>
> **—Marx**, ***Das Kapital***

So we are beginning to understand that under capitalism, the transformation of labor power into a commodity means the labor process is always a concrete act of labor and also an abstract act. It is concrete insofar as it is a particular form of labor – whether it involves making beer or making balloons. But it is abstract insofar as all capital cares about is pumping as much value out of human labor as possible.

This means that value has a strange relationship to use value. It cannot survive without use values as they are embodied in particular physical things. On the other hand

however important it may be to value, that it should have some object of utility to embody itself in, yet it is a matter of complete indifference what particular object serves this purpose.

—**Marx**, ***Das Kapital***

Value is like a demonic spirit. If it wants to have some agency in the world, it must inhabit and possess people and objects. But it flits from one to the other because it does not care at all for the people and objects that it possesses.

The term “value” is basically equivalent to capital, but it is capital at the highest level of abstraction. Even capital takes different forms, as we shall see later. It can be embodied in buildings, machinery, raw materials, purchased labor power and finished goods.

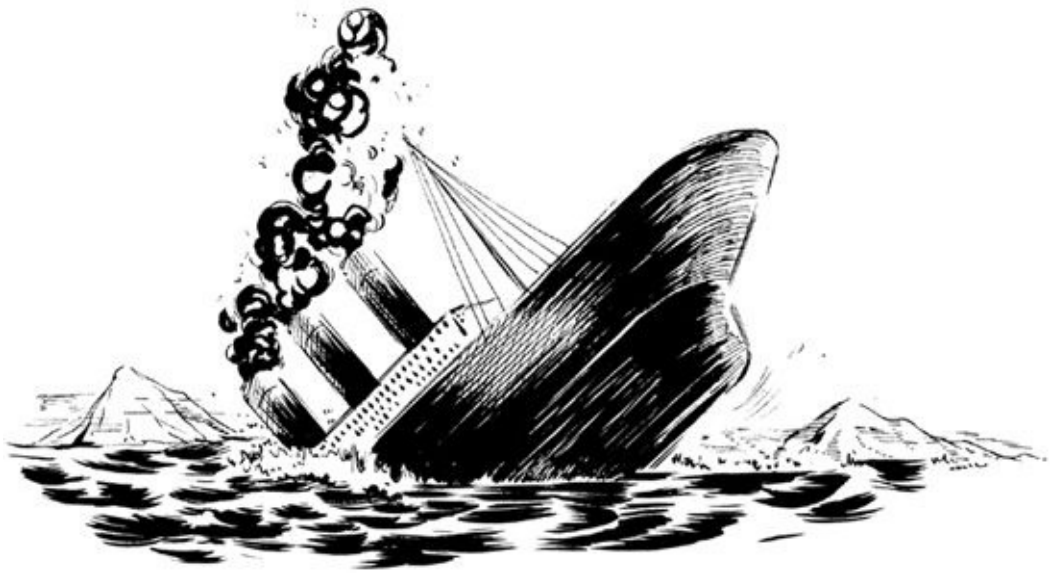
In a way value refers to the flow of wealth creation through these different embodiments of capital. The absolutely key factor in that flow is TIME. The slower the flow of value between these different material embodiments of capital, the less competitive a given capital is, the less money it is making compared to other capitals. The faster the flow of value between these different elements of capital, the more competitive it is in relation to other capitals, and the more money it stands to make.

Now, many people, including Marxists, get into a terrible muddle around this concept of value. They make the mistake of thinking that Time and Value are the same thing. The end result of such a confusion is this: There can be no escape from capitalism, any more than we can escape the fact that we exist in time. Here is what Marx says on the matter:

> **In all states of society, the labor time that it costs to produce the means of subsistence must necessarily be an object of interest to mankind, though not of equal interest in different stages of development**.
>
> **—Marx**, ***Das Kapital***

Labor time must be an object of interest to human beings throughout the different stages of development. But this "object of interest" does not mean value as a social relationship has always been with us. The term "value" is best thought of as referring to a socially organized relationship to time that is specific to capitalism. One of its key features is the drive to speed things up.

> **The Titanic and its sad fate have become a metaphor for human foibles and arrogance towards the power of nature leading to disaster. What is less well known is that the White Star Line built the ultramodern Titanic in part to compete in an obsessive effort to break the steamship record for crossing the North Atlantic. The record had passed back and forth between the North German Lloyd Line and the British Cunard Line. After the accident, both George Bernard Shaw and Joseph Conrad wrote in anger about the foolishness of a ship's captain ploughing into an icefield at full throttle. The enquiry into the sinking of the Titanic identified pressure to keep up with increasingly unrealistic schedules as a cause of the disaster. Criticism of the mania for speed records became common currency on both sides of the Atlantic**.
>
> **But the preoccupation with speed that cost 1,500 lives in the icy ocean that fateful night in 1912 still drives us relentlessly on. Today we see it in the speed-up associated with almost every aspect of life**.
>
> **—Richard Swift**, ***New Internationalist***



Speed-up is central to capitalist production and culture because only the quantitative dimension of time counts. The qualitative dimension of time, the point of experiencing something in time, is routinely seen as a "waste of time." Another one of those cultural rebellions against capitalism that are all around us today, can be found in the Slow Food movement. It is dedicated to recovering the qualitative experience involved in the making and consuming of food.

> **Our century, which began and has developed under the insignia of industrial civilization, first invented the machine and then took it as its life model**.
>
> **We are enslaved by speed and have all succumbed to the same insidious virus: Fast Life, which disrupts our habits, pervades the privacy of our homes and forces us to eat Fast Foods**.
>
> **To be worthy of the name, Homo Sapiens should rid himself of speed before it reduces him to a species in danger of extinction**.
>
> **A firm defense of quiet material pleasure is the only way to oppose the universal folly of Fast Life**.
>
> **May suitable doses of guaranteed sensual pleasure and slow, long-lasting enjoyment preserve us from the contagion of the multitude who mistake frenzy for efficiency**.
>
> **Our defense should begin at the table with Slow Food**.
>
> **Let us rediscover the flavors and savors of regional cooking and banish the degrading effects of Fast Food**.
>
> ***—Slow Food***
> ***International Manifesto***

The culture of speed certainly helps prepare people for the imperatives of speed in the workplace. But while culture feeds into production, production is more fundamental in the sense that it is the cause that produces effects (a culture of speed) that can in turn become causes (preparing us to eat fast and work fast). So while we can begin with Slow Food or any other innumerable points of resistance to the dominant logic of capital, Marx reminds us that we must track back to that "hidden abode" of production to really understand why things are as they are.

> **In the process we are now considering it is of extreme importance that no more time be consumed … than is necessary under given social conditions.… The time that is socially necessary alone counts**.
>
> —**Marx**, ***Das Kapital***

Under capitalism, the time that is necessary for production is constantly being decreased. We are stuck in fast-forward mode.

The end result of this is not that we have increasing amounts of spare time, however. The end result is that more of what we do takes place as surplus labor time.

Marx stresses that value is the average socially necessary time it takes to produce something – whether labor power or the goods that labor makes.

That social average is important because it is the mechanism by which competition drives society towards the mean average time that it takes to make something under a given set of social conditions.

If it takes:

Group A of 10 workers 2 hours to make a commodity.

Group B of 10 workers 3 hours to make the same commodity.

Group C of 10 workers 4 hours to make a commodity.

Then the mean average is 3 hours.

Competitive pressure will force Group C towards speeding up their work so they converge closer to the mean social average of 3 hours produced by Group B. But that in itself will change the mean and so both Group B and C will be forced to produce the commodity to a new mean heading towards the 2 hours it

takes Group A to make the commodity.

What is wrong with this – surely this is a good thing? It makes workers more efficient. Well, efficient for whom? Certainly it benefits the capitalist, but often it does so at the expense of other qualitative considerations. Maybe to make the commodity to a good standard and quality requires somewhere between 3 and 4 hours and that this is compromised by the remorseless pressure to work faster? Workers who care about what they make or the service they provide often feel that it is precisely these qualitative considerations that are sacrificed on the altar of a narrowly conceived "efficiency."

Of course if the capitalist employing Group C can sell its product at a higher price, in the name of higher quality, then perhaps the operation can survive. But that merely produces a stratified market excluding some consumers.

If there is a convergence between the groups, though, and prices fall due to greater efficiency, is that not of benefit at least to the consumer?

Well, we have to remember that the consumer and the worker are not two separate species. Workers are consumers and consumers are either workers or are dependent on people who are workers.

What the capitalist gives with one hand in terms of lower prices, he takes away on the other with high rates of exploitation and all the problems that brings. As we shall see later, even though it takes Group A only 2 hours to make the commodity, that does not mean this group of workers enjoy twice as much disposable leisure time as the workers of Group C.

Value then refers to the mean average of socially necessary labor time. But under value relations, this social relation can only manifest itself in quantitative and abstract terms.

> **Some people might think that if the value of a commodity is determined by the quantity of labor spent on it, the more idle and unskillful the laborer, the more valuable would his commodity be, because more time would be required in its production. The labor, however, that forms the substance of value is homogenous human labor, expenditure of one uniform labor power. The total labor power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogenous mass of human labor power, composed though it be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of the average labor power of society, and takes effect as such; that is, so far as it requires for producing a commodity, no more time than is needed on an average, no more than is socially necessary**.
>
> —**Marx**, ***Das Kapital***

The best way to understand how this pressure towards the mean social average works is to think of it in relation to particular classes of labor in particular branches of industry or work. The pressure is at its most intense within the framework of the nation-state. But as capital has become more international in its scope, so capital can use international competition to set new lower rates of value.

It is important to remember here that what is “socially necessary” is determined by a quantitative and abstract yardstick that brooks no discussion.

When time is taken over by value, then we no longer inhabit time – time inhabits or possess us. Time as value becomes the demonic spirit possessing us with a compulsive urge to constantly work faster.

> **The pendulum of the clock has become as accurate a measure of the relative activity of two workers as it is of the speed of two locomotives. … Time is everything, man is nothing; he is at the most, time's carcass. Quality no longer matters. Quantity alone decides everything; hour for hour, day for day**.
>
> **—Marx**, ***The Poverty of Philosophy***

Marx's political project could be said to amount to something quite modest: an attempt to reintroduce the qualitative dimension back into life. Not an unreasonable idea, surely? Unfortunately to reintroduce qualitative-based decision-making substantively back into the mode of production would spell the end of capitalism. Not something capitalists are on the whole in favor of.

But let us get a little bit more concrete again and have a look at all those material embodiments of capital mentioned earlier: machinery, raw materials, labor power, finished goods and so on and see how they relate to each other.

Marx divides capital in the production process into two main types: constant capital and variable capital.

Constant capital refers to buildings, machinery, and raw materials that are purchased as the means and materials of production. Variable capital refers to the human labor power which the capitalist buys to work these means and materials of production. The difference between constant and variable capital becomes crucial to Marx's argument.

> **The means of production on the one hand, labor power on the other, are merely the different modes of existence which the value of the original capital assumed when from being money it was transformed into the various factors of the labor process. That part of capital then which is represented by the means of production, by the raw materials, auxiliary material and the instruments of labor does not, in the process of production, undergo any quantitative alteration of value. I therefore call it the constant part of capital, or, more shortly**, ***constant capital***.
>
> **—Marx**, ***Das Kapital***

Capitalist B, for example, buys machinery from Capitalist A for $10,000. We

assume that B buys the machinery more or less at its value. Remember that Capitalist A has made his profit on the difference between the amount of money he paid to his workers in wages and the overall value they produced in making the machine. So Capitalist A sells the machine at its value and makes a profit.

Capitalist B now has the machinery as part of his means of production. This machinery however cannot create new value. Only human labor power can do that. So what happens to this constant capital in the production process?

> **In so far then as labor is … spinning, weaving, or forging, it raises, by mere contact, the means of production from the dead, makes them living factors of the labor process, and combines with them to form the new products**.
>
> —**Marx**, ***Das Kapital***

Constant capital then, when it is brought into contact with the specific qualities of a given type of labor to which it is suited, TRANSFERS the value embodied in it to the new product.

> **It is known by experience how long on the average a machine of a particular kind will last. Suppose its use value in the labor process lasts only six days. Then, on average, it loses each day one-sixth of its use value, and therefore parts with one-sixth of its value to the daily product. The wear and tear on all instruments, their daily loss of use value, and the corresponding quantity of value they part with to the product are accordingly calculated upon this basis**.
>
> —**Marx**, ***Das Kapital***

Say the $10,000 machine lasts five years, then each year it transfers $2000 worth of value to the products it helps make. What is crucial is that in relation to the production process, no new value is created.

> **Machinery, like every other component of constant capital, creates no new value, but yields up its own value to the product that it serves to beget. Insofar as the machine has value, and, in consequence, parts with value to the product, it forms an element in the value of that product**.
>
> —**Marx**, ***Das Kapital***

This does not mean that the price of things cannot change due to supply and

demand. For example, capitalists can often pick up assets very cheaply when companies go bankrupt or suffer some form of financial crisis – as when western corporations picked up many cheap assets during the 1997-98 South-East Asian crisis.

Say in our example Capitalist A is having problems servicing his debts and has to sell his goods below their value to raise money quickly. Capitalist B comes along and picks up the same machine for $6000 instead of $10,000. All this means is that the value embodied in the machine has been redistributed from Capitalist A to Capitalist B to the tune of $4,000. But no *new* value has been created.

Marx distinguished between two types of constant capital: fixed capital and circulatory capital. Fixed capital refers to those more permanent structures, such as buildings, machinery, tools, lighting, etc., that transfer their value to the new product bit by bit, part by part in the production process over a given period of time.

Circulatory capital refers to raw materials that are used up or transformed entirely at the same time as the product is made.

While raw materials tend to change their form or disappear completely in the labor process, means of production

> **retain their original shape, and are ready each morning to renew the process with their shape unchanged**.
>
> **—Marx**, ***Das Kapital***

Once capital becomes “fixed” into durable physical forms that represent relatively long term investments, then there is always the possibility for this capital to suffer devaluation. If the machine bought by Capitalist B for $10,000 becomes outmoded after only two-and-a-half years because of a new model that has become widely used, then half of the value of the machine has declined somewhat. This is one of the forces impelling capitalists to use all their fixed capital as intensely as possible, to transfer its value to new products at least in line with the social average. And this of course has consequences for living labor which is the indispensable means by which value is transferred.

Living labor has a dual role. It both transfers the value embodied in fixed and circulatory capital and in the process of labor, it produces new value.

> **The means of production can never add more value to the product than they themselves possess.… It is otherwise with the subjective factor of the labor process, with labor power in action. While the laborer, by**

> **virtue of his labor being a specialized kind that has a special object, preserves and transfers to the product the value of the means of production, he at the same time, by the mere act of working, creates each instant an additional or new value**.
>
> —**Marx**, ***Das Kapital***

Here we can see very clearly how concrete labor and abstract labor come together in the same moment, in the same act of labor. There is a qualitative dimension here based in the fact that a particular type of labor is working with a particular type of machinery and it is through this qualitative channel that use values are being transferred and produced. At the same time, within the context of capitalism, this is also, and PRIMARILY, a quantitative process (socially necessary labor time) – hence an act of abstract labor. As abstract labor, it is not only use values that are being transferred and created, but above all value. Labor power that adds value is a different form of capital:

> **On the other hand, that part of capital represented by labor power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus value, which may itself vary, may be more or less according to circumstances**.
>
> —**Marx**, ***Das Kapital***

Marx calls that part of capital that buys living labor power, variable capital, because its produces value that varies according to circumstances. There are a number of ways in which that variability can be increased to the benefit of capital. Capital can extend the time that labor works without compensation (i.e., increase working hours). Capital can make labor work harder within any given period. Or capital can increase the productivity of labor via the introduction of new technology. We will come back to this later.

For now, though, we can break down the different components that make up the process of value production. This is going to involve a few mathematical equations, but they are perfectly comprehensible.

> **Let us take a total sum of capital = $5000**.

It is made up of:

> **Constant Capital 4100 + Variable Capital 900 + Surplus Value = 900**.

Or:

C 4100 + V 900 + S 900.

The new value embodied in the product is

V + S

Or

900 + 900.

V = the new value produced by labor power to the equivalent of the wage that has purchased this labor power.

S = the additional value produced by labor power over and above the cost of labor power.

Total new value = 1800 of which 900 = V and 900 = S.

> **From what has gone before, we know that surplus value is purely the result of a variation in the value of V, of that portion of the capital which is transformed into labor power; consequently V+S = V + V^1 or V plus an increment of V**.
>
> —**Marx**, ***Das Kapital***

Marx derives two calculations from C, V and S.

The Rate of Surplus Value is calculated by dividing

$$\frac{S \quad \text{(surplus labor)}}{V \quad \text{(necessary labor)}}$$

in this case:

$$\frac{900}{900}$$

which = a rate of surplus value of 100%.

> **The rate of surplus value is therefore an exact expression for the degree of exploitation of labor power by capital, or of the laborer by the capitalist**.
>
> —**Marx**, ***Das Kapital***

The Rate of Profit is calculated by dividing the surplus value by the total capital outlay, which includes both constant and variable capital.

$$\frac{S\ (900)}{C\ 4100\ +\ V\ (900)} = \text{a rate of profit of 18\%.}$$

Behind the numbers, as always with Marx, stand the vital but often concealed social relationships:

> **In point of fact, profit is the form of appearance of surplus value, and the latter can be sifted out from the former only by analysis. In surplus value, the relationship between capital and labor is laid bare. In the relationship between capital and profit … *capital appears as a relationship to itself*, a relationship in which it is distinguished, as an original sum of value, from another new value that it posits**.
>
> **—Marx**, ***Das Kapital***, **Vol. III**

Surplus value is like a rather embarrassing guest at the capitalist party. A reminder of who is paying for all this and interrupting the conversation that capital would like to have only with itself about how much profit it is making.

chapter five:
work under capitalism

We saw that Marx began with the concept of the commodity. Gradually he developed the analysis, looking at exchange and circulation, and finally the buying of labor power. At each stage he found contradictions (such as between use value and exchange value) and mysteries (such as what is value and where does it come from?) These contradictions all derive from the central problem of turning labor power into a commodity.

> **The capitalist maintains his rights as a purchaser when he tries to make the workday as long as possible, and to make, wherever possible, two working days out of one. On the other hand, the peculiar nature of the commodity sold implies a limit to its consumption by the purchaser, and the laborer maintains his right as seller when he wishes to reduce the workday to one of definite normal duration. There is here, therefore an antimony, right against right, both equally bearing the seal of the law of exchanges. Between equal rights force decides. Hence it is that in the history of capitalist production, the determination of what is a workday presents itself as the result of a struggle, a struggle between collective capital, i.e., the class of capitalists, and collective labor, i.e., the working class**.
>
> —**Marx**, ***Das Kapital***

This is classic Marx. He takes the principles of bourgeois or capitalist economics, here private property rights, and he finds in them an irresolvable contradiction. The peculiarity of the commodity labor power is that once sold it also remains attached to the individual laborer. It is not as if labor power can be bottled and squeezed like a lemon while the seller (laborer) can go off and have fun.

This conflict between property rights can only be resolved by force. And this in practice is how it is resolved. The force of capital takes many forms. There is economic force, political force, legal force and of course there is physical force at the disposal of capital in the form of the police and even the army.

In Marx’s time, for example, the French army slaughtered the French workers in 1871 to end an experiment in worker control called the Paris Commune. The

20th-century history of Latin America is a history of the army stepping in and running things when workers and peasants got too uppity for the capitalist class.

Marx spent most of his adult life in exile living in England, the home of the first great industrial revolution and at that time the great center of capitalist development. So when it came to looking at concrete case studies of struggles around the workday, he turned naturally to mid-19th-century English history.

Here the reports of a Factory Inspectorate set up by Parliament provided some of the evidence of the condition of the English working class. They showed the physical degeneration of adult workers in the pottery industry, blighted by disease, ailments, deformities and shortened lives.

Matchmaking was a growing industry from the mid-19th century. Its mostly child labor force was plagued by lockjaw brought on by long exposure to phosphorous.

> **Dante would have found the worst horrors of his Inferno surpassed in this manufacture**.
>
> —**Marx**, ***Das Kapital***

Child labor was widespread in Victorian Britain. Marx cites reports detailing children of 7 years old working 15 hours a day.

Today child labor, while mostly prevalent in the informal sector and domestic service, can still be found in capitalist manufacturing industries, often producing goods for global brands. Subcontractors working for Nike, Gap and Apple have been found employing child labor in recent years.

> **Capital is dead labor, that, vampire-like only lives by sucking living labor, and lives the more, the more labor it sucks. The time during which the laborer works is the time during which the capitalist consumes the labor power he has purchased**.
>
> —**Marx**, ***Das Kapital***

In the mid-19th century, bakers, Marx tells us, rarely reached the age of 42, such was the level of overwork. Blacksmiths also were dying prematurely due to overwork.

> **Capital cares nothing for the length of life of labor power. All that concerns it is simply and solely the maximum of labor power that can be rendered fluent in a workday. It attains this end by shortening the extent of the laborer's life, as a greedy farmer increases produce from**

the soil by robbing it of its fertility.

—**Marx**, ***Das Kapital***

Long hours and night work were common for adults and children. Conditions were dangerous and life-threatening. Working-class agitation for change was growing. It became clear that the state would have to step in. Hence a series of Factory Acts between 1833-1864 attempted to rein in capital.

These acts curb the passion of capital for a limitless draining of labor power by forcibly limiting the workday by state regulations, made by a state that is ruled by capitalist and landlord.

—**Marx**, ***Das Kapital***

The factory inspectors however were too small in number to effectively implement the law universally, and where capitalists were penalized for breaking the law, the fines were small enough to take the risk of being caught. This was as Marx noted, remember, a capitalist state trying to regulate capitalism, which is a bit like putting wolves in charge of regulating nighttime raids on the farm.

The ineffectualness of fines in Marx's day strikes a chord 150 years later. Today companies routinely factor in legal fines as part of the operating costs they can absorb.

For example, in 2009, the US mining industry had a 173, 928 violations cited against it by the regulators and were fined $141 million. Did this do any good? No, in 2010, the mining company Massey was found to have 123 safety violations at one of its West Virginia coal mines. Shortly afterwards 29 miners died there in an underground explosion.

To make working conditions safer requires investment, which costs money. To monitor safety costs time, which as we know, is also money. Hence capital's resistance to a culture of work safety.

Overwork also causes accidents, now as then.

> **A tremendous railway accident has hurried hundreds of passengers into another world. The negligence of the employees is the cause of the misfortune. They declare with one voice before the jury that ten or twelve years before, their labor only lasted eight hours a day. During the last five or six years it had been screwed up to 14, 18, and 20 hours, and under a specially severe pressure of holiday makers, at times of excursion trains, it often lasted for 40 or 50 hours without a break. They were ordinary men, not Cyclops. At a certain point their labor power failed. Torpor seized them. Their brain ceased to think, their eyes to see. The thoroughly "respectable" British jurymen answered by a verdict … of manslaughter, and in a gentle "rider" to their verdict, expressed the pious hope that the capitalist magnates of railways would**

> **in future, be more extravagant in the purchase of a sufficient quantity of labor power, and more "abstemious," more "self-denying," more "thrifty," in the draining of paid labor power**.
>
> —**Marx**, ***Das Kapital***

In the UK today, fatigue at work is estimated by insurance companies as being the principle cause of workplace accidents in 18% of cases. And across the world, chronic pilot fatigue has been pinpointed as the cause for numerous airplane crashes.

As we have seen, the capitalist will seek to reduce the time workers have to work to earn enough to sustain themselves (necessary labor time) and increase the time workers work for free for the capitalist (surplus labor time).

One way of doing that is by increasing the duration of the workday. Marx calls this the production of absolute surplus value, because it involves simply extending surplus labor by making the worker work longer.

Nevertheless, the workday is conditioned by physical needs and social needs as well.

> **Besides … purely physical limitations, the extension of the workday encounters moral ones. The laborer needs time for satisfying his intellectual and social wants, the extent and number of which are conditioned by the general state of social advancement**.
>
> —**Marx**, ***Das Kapital***

Today a 40-hour workweek is quite normal in much of Europe, although many must work overtime to make ends meet. While absolute surplus value production still remains an ever present pressure and possibility, capitalism had to find ways other than mere duration to boost surplus value. One obvious way was to increase the *intensity* of the workday, making workers work harder within any given workday norm.

The factory inspectors in Marx's time reported how capitalists "snatched" half an hour extra from every working day by encroaching on times set aside for rest and refreshment. These "small thefts" and "nibbling" of worker rest time shows how obsessed capital is with time.

Marx notes that the capitalist's fear of losing time means that feeding the human worker is like

> **giving it to them as coal and water are supplied to the steam-engine, soap to wool, oil to the wheel – as merely auxiliary material to the**

instruments of labor, during the process of production itself.

—**Marx**, ***Das Kapital***

There's a wonderful scene in Charlie Chaplin's film *Modern Times* where Charlie is selected to test a new machine that feeds the worker while they carry on working on the assembly line. Needless to say, the gadget goes horribly wrong. But capital has resolved the problem with the concept of the "working lunch." The culture of job intensification is in fact increasing, as a recent book has explored:

Long hours is only half the story and perhaps even less. The more widespread issue is what the Labor economists call "job intensification." Put simply, it means that even if we are not working longer hours, we are almost certainly working harder during the time we are at work. Professor Francis Green is the Labor economist who has done the most research on tracking what has been a remarkable job intensification over the last decade or so. He attributes information technology as the main drive of this intensification. It works in hundreds of different ways; for example, in the call center, the technology which directs incoming calls to operators does so to ensure that everyone is kept busy all the time with maximum efficiency. On the shop floor, similar use of technology maximizes the use of labor in such a way that there are fewer breaks or natural pauses in the labor process.

—**Madeline Bunting**,
Willing Slaves: How the Overwork Culture Is Ruling Our Lives

Technology is the medium, but, as we have seen, not the cause of the pressure to work harder. Indeed technology is merely another version of capital – it, like the worker who works with it, must be used continuously, without temporal gaps. Marx noted how this attempt to close gaps required the thoroughgoing reorganization of the laborer's work.

A worker who performs one after another the various fractional operations in the production of a finished article must at one time change his place, at another his tools. The transition from one operation to another interrupts the flow of his labor, and creates, so to

say, gaps in his workday. These gaps close up so soon as he is tied to one and the same operation all day long.

—**Marx**, ***Das Kapital***

So began the fragmentation of the worker's relationship to the labor process as a whole, confined to a narrow repetitive task, while integrated into a system constantly ensuring maximum turnout of product.

The habit of doing only one thing converts him into a never-failing instrument, while his connection with the whole mechanism compels him to work with the regularity of the parts of a machine.

—**Marx**, ***Das Kapital***

As capital grows larger and pools more workers together under its command, so work becomes ever more interdependent with the activities of other workers. Capital develops the necessarily social and cooperative basis of human labor.

When the laborer cooperates systematically with others, he strips off the fetters of his individuality, and develops the capabilities of his species.

—**Marx**, ***Das Kapital***

At the same time, under capital, the social basis of labor becomes an external coercive force pummelling labor power while the cooperative basis of labor becomes profoundly hierarchical and undemocratic.

All combined labor on a large scale requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs. A single violin player is his own conductor; an orchestra requires a separate one. The work of directing, superintending, and adjusting becomes one of the functions of capital, from the moment that the laborer under the control of capital, becomes cooperative. Once a function of capital, it acquires special characteristics. The directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus value, and consequently to exploit labor power to the greatest possible extent. As the number of the cooperating laborers increases, so too does their

> **resistance to the domination of capital, and with it, the necessity for capital to overcome this resistance by counter pressure. The control exercised by the capitalist is not only a special function, due to the nature of the social labor process, but it is, at the same time, a function of the exploitation of a social labor process, and is consequently rooted in the unavoidable antagonism between exploiter and the living and laboring raw material he exploits**.
>
> —**Marx**, ***Das Kapital***

Marx suggests that there is a distinction to be made between the necessity of large-scale, socialized labor requiring some form of "conducting," and the "special characteristics" which conducting acquires under capital. Given the aim of capital, the conducting must be "despotic" as Marx puts it elsewhere. Marx implies that with a different set of socioeconomic relations, ones without the antagonism that is inherent to capitalism, the directing authority could operate differently. Marx does not put it any more strongly than that, probably because he likes to unfold the contradictions of capital internally as it were, rather than simply find it wanting when measured against his own preferred yardsticks.

The internal contradiction here is that capital develops sociality but also represses it. One way this manifests itself is precisely in the hierarchical structure of the workplace which stunts the individual mind and body even as large-scale coordination is helping to increase the productivity of human labor power. Marx quotes the Scottish philosopher Adam Ferguson (1723-1816), who expressed this contradiction between industry and worker very well:

> **Ignorance is the mother of industry as well as of superstition. Reflection and fancy are subject to err; but a habit of moving the hand or the foot is independent of either. Manufactures, accordingly, prosper most where the mind is least consulted**.
>
> —**Adam Ferguson**, ***An Essay on the History of Civil Society***

In order to consult the mind least and impose commands most, a new layer of "conductors" would have to be cultivated in the modern workplace.

> **An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers), and sergeants (foremen, overlookers), who, while the work is being done, command in the name of the capitalist. The work of supervision becomes their established and exclusive function**.
>
> **—Marx**, ***Das Kapital***

Here Marx is acknowledging that the workforce will become increasingly differentiated between direct producers and a managerial class, and another layer between the two who directly transmit the orders of management and oversee their implementation (the "sergeants" of this industrial army).

Marx argues that the division of labor in society as a whole is connected to the purchase and sale of products from the different branches of industry. Division of labor at work is connected to the purchase and sale of labor power. This division of labor within the workshop has some markedly different characteristics from the division Daniel Bell of labor in society as a whole, across the different branches of production that produce goods and services.

Within the workshop or company there is topdown control. The relationship between the distribution of labor in various sectors and the social needs which they satisfy is characterized by the chance and caprice of the market.

Within the workshop there is intense and detailed planning and strategizing. Across the social division of labor as a whole, there is no planning but instead an

anarchic playing out of the laws of supply and effective demand.

Within the workshop or company, the seller of labor power is subordinate to the buyer. Across the division of social labor as a whole, the worker is transformed into a buyer of commodities acknowledging no other authority but his or her own.

We have here the basis of a profound division between two identities embodied in a single entity: the wage-slave on the one hand and the consumer on the other. The diligent producer chained to work, and outside the market for labor power, the anarchically independent free agent. This is the basis for conservative sociologist Daniel Bell's reflections on the division between economy and culture:

> **The social structure today is ruled by an economic principle of rationality, defined in terms of efficiency in the allocation of resources; the culture, in contrast, is prodigal, promiscuous, dominated by an antirational, anti-intellectual temper. The character structure inherited from the nineteenth century – with its emphasis on self-discipline, delayed gratification, restraint – is still relevant to the demands of the social structure; but it clashes sharply with the culture, where such bourgeois values have been completely rejected – in part [and] paradoxically, because of the workings of the capitalist system itself**.
>
> —**Daniel Bell**, ***The Cultural Contradictions of Capitalism***

In the UK, town and city centers are routinely described as “no-go” areas on Friday and Saturday nights, as the wage-slaves are released from their subordination to the boss and reinvent themselves as liberated hedonists, a transformation that requires copious quantities of alcohol that often brings simmering resentments and tensions violently to the surface. The political right will then talk of a decline in morals, not seeing, how the “promiscuous,” “antirational,” “hedonistic” behavior is cultivated by the consumer market as a response to all the implications of capitalist “rationality” and “efficiency” in the market for labor power.

We have seen that extending the duration of the workday and making workers work harder are both ways of increasing absolute surplus value. However, a third way of increasing surplus value is by increasing the productivity of the labor force by bringing them into contact with more powerful machines.

> **By increase in the productiveness of labor, we mean, generally, an alteration in the labor process of such a kind as to shorten the labor time socially necessary for the production of a commodity, and to endow a given quantity of labor with the power of producing a greater quantity of use value**.
>
> —**Marx**, ***Das Kapital***

For example, a workday of 10 hours may be divided 60/40 between the labor time socially necessary for the production of a commodity and surplus labor time at a given level of technological development:

Necessary Labor Time	Surplus Labor Time	= 10
6 hours	4 hours	hours

After a transformation of the technical means of production, however, productivity is increased and the ratio is reversed:

Necessary Labor Time	Surplus Labor Time	= 10
4 hours	6 hours	hours

Now, as Marx argues, increased productivity leads to greater quantities of use values being produced with no greater expenditure of labor time and therefore value. The consequence of this is that prices fall.

Marx gives the example of an English and a Chinese spinner. If they work the same number of hours with the same intensity, then they will both in a week produce the same amount of value.

> **But in spite of this equality, an immense difference will obtain between the value of the week's product of the Englishman, who works with a mighty automaton, and that of the Chinaman, who has but a spinning-wheel. In the same time as the Chinaman spins one pound of cotton, the Englishman spins several hundreds of pounds**.
>
> **—Marx**, ***Das Kapital***

The same labor time then gets embodied in two very different quantities of use values: one pound of cotton by the Chinaman and hundreds of pounds of cotton by the Englishman, thanks to the latest technology. This means that when the English cotton is divided up into individual articles of clothes, each article will contain considerably LESS value (i.e., socially average labor time) than when the Chinese pound of cotton gets made into clothes. With less value in each article, prices should fall.

If prices fall for essential means of subsistence goods, such as food and clothes, then so too does the value of labor, which remember is set by the labor time that is necessary to produce the value equivalent paid in wages that the laborer needs to reproduce themselves and their dependents.

Capitalists do not innovate technologically in one sector of industry (means of subsistence goods) so that capitalism as a whole may benefit from a fall in the value of labor. They are motivated to innovate technologically for their own selfish reasons. That the consequences are of more benefit to the capitalist class than the working class is readily observable in the fact that surplus labor time increases while the length of the workday does not fall.

Paul Lafargue, Marx's son-in-law, wrote in 1883:

> **Our epoch has been called the century of work. It is in fact the century of pain, misery and corruption … A good working woman makes with her needles only five meshes a minute, while certain circular knitting machines make 30,000 in the same time. Every minute of the machine is thus equivalent to a hundred hours of the working women's labor, or again, every minute of the machine's labor, gives the working women ten days of rest. What is true for the knitting industry is more or less true for all industries reconstructed by modern machinery. But what do we see? In proportion as the machine is improved and performs man's work with an ever increasing rapidity and exactness, the laborer, instead of prolonging his former rest times, redoubles his ardor, as if he wished to rival the machine. O, absurd and murderous competition!**
>
> **—Paul Lafargue**, ***The***

Right To Be Lazy

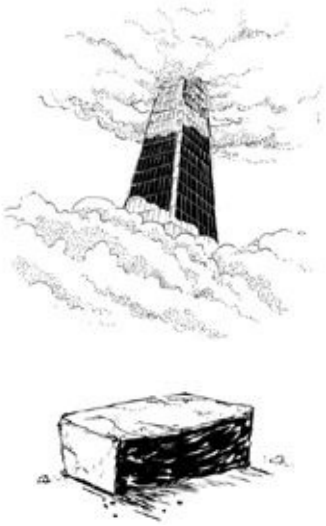
Lafargue argued for a three-hour workday! Is that really so absurd given the productivity of human labor? Advances in productivity have not correlated with decreases in time spent at work because of the need to sustain surplus labor time and therefore surplus value. Capital's thirst for the surplus labor of some means that others are completely surplus to requirements. They become what Marx called an industrial reserve army.

> **The overwork of the employed part of the working class swells the ranks of the reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to overwork and to subjugation under the dictates of capital**.
>
> **—Marx**, ***Das Kapital***

With a three-hour workday, two more people could be employed for every one currently working nine hours. Of course, all three would have to be paid a wage equivalent to necessary labor time (formerly embodied in nine hours' labor). How is this affordable?! screams the capitalist. It is affordable simply by recovering the surplus value squeezed out of one worker so it can be shared between three, instead of snatched by the capitalist. Civilization and material wealth would not collapse with such a radical reduction of the workday and corresponding increase in employees receiving a living wage, but capitalism certainly would.

A surplus population of unwanted labor that can find little steady employment in either the countryside or the city has exploded in recent years, and its most visible manifestation is in the growth of the slums in the developing world.

> **Thus, the cities of the future, rather than being made out of glass and steel as envisioned by earlier generations of urbanists, are instead largely constructed out of crude brick, straw, recycled plastic, cement blocks, and scrap wood. Instead of cities of light soaring toward heaven, much of the twenty-first century urban world squats in squalor, surrounded by pollution, excrement, and decay. Indeed, the one billion city-dwellers who inhabit postmodern slums might well look back with envy at the ruins of the sturdy mud homes of Catal Hüyük in Anatolia, erected at the very dawn of city life nine thousand years ago**.
>
> **—Mike Davis**, ***Planet of Slums***



In the core advanced capitalist economies, there may not be slums, but there is longterm structural unemployment (much higher than admitted by official statistics that are constantly finding new ways to count and lose the jobless). And this has laid waste to communities and the lives of whole strata of people:

> **Seeing men and women taken or thrown away according to the dictates of an erratic and increasingly imaginary labor market, a shrinking market on which they and their lives depend, while it does not depend on them. Seeing, already, how seldom they *are* hired, how often they already are no longer hired; seeing how they are then vegetating, especially the young, in a state of endless vacuity, considered degrading, and how it is held against them.… Seeing that beyond the exploitation of men and women there was something worse: the absence of any such exploitation. How can it not occur to us that the crowds … might tremble, and each of us in the crowd?**
>
> **—Viviane Forrester**,
> ***The Economic Horror***

It might be thought that Marx himself was someone who was rather in thrall to a romantic conception of work. But actually this is not the case. Marx merely saw the creative powers of human labor as the basis for developing society. The more technological and scientific advances augmented human labor power, the *less* time it would be necessary to spend at work while still maintaining a high standard of living. Here though is yet another contradiction within capitalism. Increases in productivity can never deliver an abundance of leisure time because the decline in necessary labor time is gobbled up by the increase in surplus labor time.

Machinery is fundamentally different from earlier tools as they can no longer be wielded by individuals. Machinery is a testament to the awesome growth in human productive powers of a kind that was once only imagined in myths.

> **The mechanical lathe is only a cyclopean reproduction of the ordinary foot-lathe; … the instrument that, on the London wharves, cuts the veneers is a gigantic razor; the tool of the shearing machine, which shears iron as easily as a tailor's scissors cut cloth, is a monster pair of scissors, and the steam-hammer works with an ordinary hammer head, but of such a weight that not Thor himself could wield it**.
>
> **—Marx**, ***Das Kapital***

Such gigantism though has not liberated human kind from labor, as it could potentially do, but has enslaved human kind to the machine when it takes the social form of fixed capital.

> **The production process has ceased to be a labor process in the sense**

> **that labor is no longer the unity dominating and transcending it. Rather labor appears merely to be a conscious organ, composed of individual living workers at a number of points in the mechanical system; dispersed, subjected to the general process of the machinery itself, it is itself only a limb of the system, whose unity exists not in the living workers but in the living (active) machinery, which seems to be a powerful organism when compared to their individual, insignificant activities. With the stage of machinery, objectified labor appears in the labor process itself as the dominating force opposed to living labor, a force represented by capital in so far as it appropriates living labor**.
>
> —**Marx**, ***Grundrisse***

Where machinery could:

- Shorten working hours, it lengthens or sustains them.
- Lighten the burden of labor, it increases it.
- Be a victory of humankind over nature, it makes humanity a slave to an uncontrolled social order, or "Second Nature."
- Increase wealth for all, it makes inequality widen.

Under capitalism, the world truly becomes topsy-turvy.

Capital does not stop at the degradation of human labor for the sake of profit. It also degrades the very goods that labor produces. Marx noted the extensive adulteration of bread with alum powder in the English bakeries and saw this as the flip side of worker exploitation. Alum gave a white appearance to the bread. The Church noted that:

> **The unwise preference given so universally to white bread led to the pernicious practice … of mixing alum with the flour, and this again to all sorts of adulterations and impositions; for it enabled bakers, who were so disposed, by adding more and more alum, to make bread made from flour of a damaged or inferior grain look like the best or the most costly, and to dispose of it accordingly; at once defrauding the purchaser, and tampering with his health**.
>
> ***—The Church of England Magazine***, **1847**

The 1860 Food Adulteration Act attempted to prevent such practices, but according to Marx, the Act was far too sensitive to the needs of capital to be effective, although later legislation did effectively stop the practice. But as the

capitalist industrialization of food expanded, the conflict between the use value and exchange value of food as a commodity became more pronounced, inevitably outpacing the will of legislators to control the negative effects of this conflict.

> **Chicken McNuggets were introduced nationwide in 1983. Within one month of their launch, the McDonald's Corporation had become the second-largest purchaser of chicken in the United States, surpassed only by KFC. McNuggets tasted good, they were easy to chew, and they appeared to be healthier than other items on the menu at McDonald's. After all, they were made out of chicken. But their health benefits were illusory. A chemical analysis of McNuggets by a researcher at Harvard Medical School found that their "fatty acid profile" more closely resembled beef than poultry.… Chicken McNuggets, which became wildly popular among young children, still derive much of their flavour from beef additives – and contain twice as much fat per ounce as a hamburger**.
>
> —**Eric Schlosser**, ***Fast Food Nation***

Once again, the division between how things appear and their real essence, which we have seen structuring the entire capitalist market, is reproduced here. The appearance of much mass-produced food to the senses and its real benefits or otherwise to health, more and more diverge. As in the past, governments resist or are very often ineffectual in regulating capital, no matter what the price paid in lives.

A *Guardian* newspaper item on a major UK health report stated:

> **Tens of thousands of lives could be saved if major changes were made to processed and convenience foods, the UK's leading health watchdog will say today, challenging the government and the food industry to act to improve the nation's diet**.
>
> **The National Institute for Health and Clinical Excellence (Nice) will say in a major hard-hitting report that diet is not just a matter for the individual consumer. In what will be interpreted as a significant attack on the food industry, it recommends a series of changes, including:**
>
> • **A total ban on trans fats**.
>
> • **Halving the individual daily salt intake**.

• Legislating if necessary to encourage manufacturers to slash the content of hidden saturated fats in all food products.

• Ensuring low fat and low salt foods are cheaper than unhealthier versions.

• Banning television adverts for high-salt and high-fat foods before the 9 pm watershed, to protect children.

• Urging local councils to forbid take-aways and junk food outlets near schools.

• Bringing in the "traffic light" colour coding system to show whether a product has high, low or medium levels of salt, fat and sugar.

> **But the government reaction was unenthusiastic, implying that it was up to the individual to make healthy choices**.
>
> **—Sarah Boseley, Health Editor**, ***The Guardian***, **June 2010**

No surprise that the government was "unenthusiastic" about the recommendations. The response of governments echoes the industry: that this is a question of individual choice.

> **In bourgeois societies the economic *fictio juris* prevails, that everyone, as a buyer, possesses an encyclopedic knowledge of commodities**.
>
> **—Marx**, ***Das Kapital***

Yet it is precisely such knowledge that the food industry and governments and institutions of all types limit and block. The "traffic light" color-coding system proposed by NICE and rejected by the UK government had already been voted down by the European Union. This color-coding scheme would have been a highly accessible way of indicating the nutritional value of food products to consumers. That is why the food industry spent one billion Euros lobbying against the proposals. Against the twin might of corporate and state power, media exposure and public interest are like straws thrown under the wheels of a juggernaut.

The consequences for consumers health are of no concern to the industry. Such consequences represent what is called in economics, "externalities." These are the consequences that flow from production and exchange which private property can choose to ignore when, as is usually the case, no effective regulatory framework is in place to force private property to recognize its social

obligations. It is in the interest of private commodity producers to resist recognizing their social obligations since that would drive up their costs.

> **Consumers will increase their preference and demand for goods whose production and/or consumption entails negative external effects but whose market prices fail to reflect these costs and are therefore too low; and will decrease their preference and demand for goods whose production and/or consumption entails positive external effects but whose market prices fail to reflect these benefits and are therefore too high. In short, we adjust ourselves to benefit from what we see to be systematic bargains and to avoid what we see to be systematic scams**.
>
> —**Michael Albert**,
> ***Parecon:***
> ***Life After Capitalism***

Often this means short-term interests (affordability) trump longterm interests (e.g., health), or what seems rational behavior at an individual level is irrational when replicated by lots of people. On the one hand, capitalism depends on society. Advanced capitalism is an immensely interdependent and interconnected socioeconomic system. But capitalism constantly denies and revokes its own social basis because its cell-form is the private commodity, society itself just one big "externality." Capitalist producers generate the largest scale negative externalities, but the culture of indifference cultivated by capitalism envelops us all.

> **The reciprocal and all-sided dependence of individuals who are indifferent to one another forms their social connection. The individual carries his social power, as well as his bond with society, in his pocket**.
>
> —**Marx**, ***Grundrisse***

chapter six:
reproduction and crises

We have looked at capitalist production. But now we must turn to the question of how this system of production reproduces itself, every day, every month, every year. This will return us to the question of circulation.

> **Every social process of production is, at the same time, a process of reproduction**.
>
> —**Marx**, ***Das Kapital***

What must be in place for capitalism to successfully reproduce itself? One of the most important prerequisites for the reproduction of capital is the reproduction of the worker's dependence, for their survival, on the market for labor power – i.e., their dependence on capital.

> **It must be acknowledged that our laborer comes out of the process of production other than he entered. In the market he stood as his owner of the commodity "labor power" face to face with other owners of commodities, dealer against dealer. The contract by which he sold to the capitalist his labor power proved, so to say, in black and white that he disposed of himself freely. The bargain concluded, it is discovered that he was no "free agent", that the time for which he is free to sell his labor power is the time for which he is forced to sell it**.
>
> —**Marx**, ***Das Kapital***

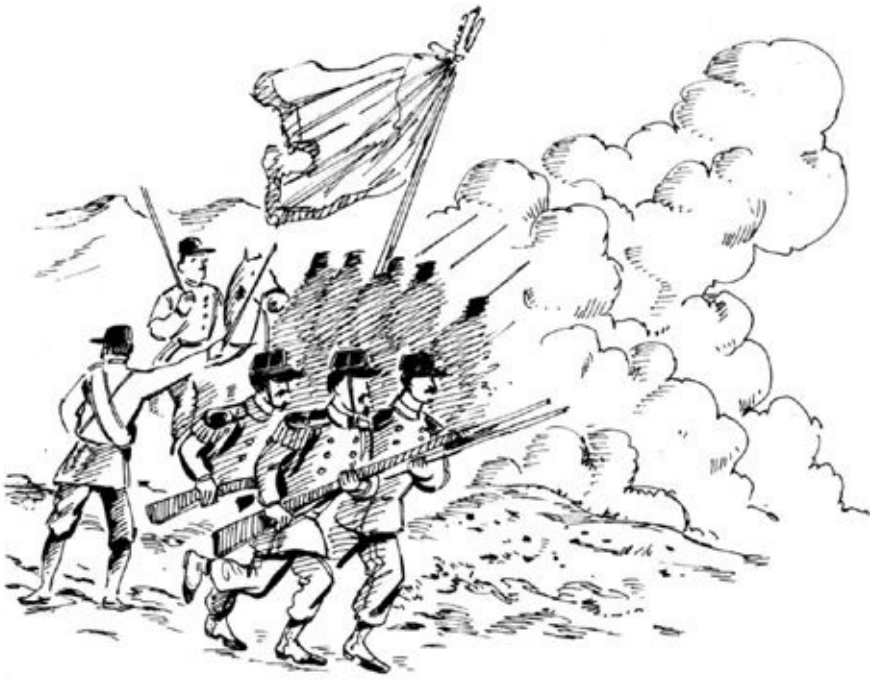
While the political right talks of welfare dependency, it tends to see the market solely as a realm of liberation and freedom. Marx, however, knows that there is a great deal of coercion involved in creating and sustaining market dependency. In terms of creating this market dependency in the first instance, Marx offers a brief historical sketch of the process in England and Scotland:

> **The historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians. But, on the other hand, these new freedmen**

became sellers of themselves only after they had been robbed of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire.

—**Marx**, ***Das Kapital***

Over the course of three or more centuries, rural workers were driven off the land and into the towns as a property-less proletariat. This created a large segment of people driven into vagabondage and petty crime. In response, a brutal state war was launched on the dispossessed from the end of the fifteenth century.



Thus were the agricultural people, first forcibly expropriated from the soil, driven from their homes, turned into vagabonds, and then whipped, branded, tortured by laws grotesquely terrible, into the discipline necessary for the wage system.

—**Marx**, ***Das Kapital***

The conquest of colonial territories initially provided workers from England the opportunity to escape the wage system, which they took whenever the opportunity arose. Marx cites the case of a Mr. Peel, who settled in Swan River, Western Australia. Mr. Peel took with him £50,000 of capital and 3000 workers and their families to work for him. But Mr. Peel's workers soon discovered that

with a surplus of available land lying all around them, they need not labor to make Mr. Peel even richer.

> **Unhappy Mr. Peel who provided for everything except the export of English modes of production to Swan River! … Think of the horror! The excellent capitalist has imported bodily … with his own good money, his own competitors! The end of the world has come!**
>
> —**Marx**, ***Das Kapital***

Nor is this a mere historical footnote. If the origins of capitalism lie in the dispossession of rural workers from their own means of production and the hurling of vast numbers of people into market dependency, the reproduction of capitalism requires the constant reproduction of this market dependency, and on an extended scale.

> **The capitalist system presupposes the complete separation of the laborers from all property in the means by which they can realize their labor. As soon as capitalist production is once on its legs, it not only maintains this separation but reproduces it on a continually extending scale**.
>
> —**Marx**, ***Das Kapital***

Now, in what sense does capitalism reproduce market dependence on a continually extending scale? Surely, once it is achieved in the long and distant past, it is done and dusted? Not at all. In fact, capitalism must struggle constantly against the tendency of people to try and create buffers between themselves and complete and utter dependence on the capitalist market. The first thing that capital must do is make sure that the majority of people are not so well paid that they can build up reserves that lessen their individual dependence on selling their labor power. This was recognized in the early 1700s by philosopher Bernard de Mandeville whom Marx quotes:

> **As they [the poor] ought to be kept from starving, so they should receive nothing worth saving.… Those that get their living by their daily labor … have nothing to stir them up to be serviceable but their wants which it is prudent to relieve, but folly to cure. The only thing then that can render the laboring man industrious is a moderate quantity of money, for as too little will … either dispirit … or make him desperate, so too much will make him insolent and lazy**.

—Bernard de Mandeville, ***The Fable of the Bees***

Mandeville's teachings have been well learned by capital. Today, most wage-workers are only one or two wage packets from serious financial trouble. The ever-present necessity of having to sell their labor power ties the worker to capital by invisible but powerful chains.

> **In reality, the laborer belongs to capital before he has sold himself to capital. His economic bondage is both brought about and concealed by the periodic sale of himself, by his change of masters, and by the oscillation in the market price of labor power. Capitalist production, therefore, under its aspect of a continuous connected process, of a process of reproduction, produces not only commodities, not only surplus value, but it also produces and reproduces the capitalist relation; on the one side the capitalist, on the other the wage-laborer**.
>
> **—Marx**, ***Das Kapital***

At macroeconomic and policy-making levels, there is an ongoing struggle between capital and labor in this regard. Labor seeks to weaken in a variety of ways this "capitalist relation" while capital seeks to strengthen it. For example, where the state provides some benefits for the unemployed, the capitalist relation is weakened. Where state policy weakens the power and effectiveness of trade unions representing labor, there the capitalist relation is strengthened.

At an international level, such bodies as the International Monetary Fund (known to many who have suffered at its hands as International Mother F**kers) and the World Bank have imposed their famous Structural Adjustment Programs.

These programs involve deregulating laws protecting domestic markets and prices on basic foodstuffs that ordinary people rely on; they involve selling off national resources and companies to foreign capital, cutting public spending and even dictating the kinds of crops a country should produce (i.e., ones that feed western markets rather than local people). All these policies aim to break down the buffers that have been created between ordinary people and market dependency, and therefore strengthen the “capitalist relation.”

The market also directly increases dependency on its dynamics as well. For example, companies and speculators can buy up large quantities of food and hoard them, thus driving up prices so they can sell at the higher price.

Banks and hedge funds also bet on the future prices of basic food stuffs, creating wild swings in prices that wreak havoc for developing world farmers and increase hunger and starvation for poor consumers.

> **Ethiopia relies heavily on importing wheat and so a hike in staple food prices has had a massive impact. Ethiopia’s total wheat bill shot up**

from $84 million in 2006 to $465 million in 2008.… Nuria Mohammed farms vegetable in Southern Ethiopia's Oromiya region. A local drought made Nuria completely dependent on buying wheat and maize from the local market but the prices of wheat and maize had more than doubled.… To survive Nuria had to sell her five cattle to raise the money needed to buy food. "I sold the cattle for 200 Br (Birr) to 300 Br. They had become skinny because of lack of adequate pasture, but still they were our only family assets. Previously, they would each have been worth 1,000 Br (US $105)."

—World Development Movement,
Betting on Hunger, **2010**

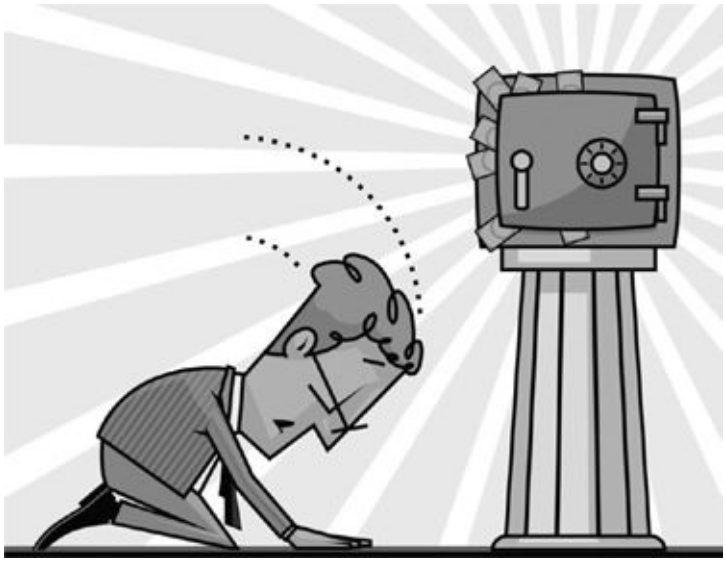
If reproducing the dependence of the worker on the market is essential for the reproduction of capital, so too is the need to reproduce more capital than existed before. The capitalist has only one goal, only one God.

Accumulate, accumulate! That is Moses and the prophets!

Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie.

—Marx, ***Das Kapital***

Were a capitalist to have the sort of epiphany that you sometimes see in Hollywood films and decide that he has been really horrible to his workers, but from now on will be kind and generous, the mechanism of competition would soon force him from the field.



> **It is not individuals who are set free by free competition; it is rather capital which is set free.… Competition is nothing more than the way in which the many capitals force the inherent determinants of capital upon one another and upon themselves**.
>
> —**Marx**, ***Grundrisse***

One of the most important roles that competition plays is to force each capitalist to bear down on their labor costs. Labor must always cost something, but:

> **The zero of their cost is therefore a limit in a mathematical sense, always beyond reach, although … the constant tendency of capital is to force the cost of labor back towards this zero**.
>
> —**Marx**, ***Das Kapital***

This is not only because capitalists want to grab more for themselves in terms of personal wealth. It is also because accumulation for the sake of accumulation requires holding onto as much of the surplus as possible for the sphere of circulation – so that surplus can be plowed back into the production process.

Remember that the circulation of capital or M – C – M+ resists wealth falling out of circulation into the sphere of personal consumption. Ultimately, for capital, this is a loss. Perversely, capital does not actually produce for consumption!

Accumulation requires that value flows through the different material embodiments of capital in the sphere of production and circulation. As we have seen value gets embodied in constant capital (fixed and circulatory capital) and these embodiments have their value transferred to another product when brought into contact with variable capital (labor power), which adds new value in a further transformation of the means and materials of production. The finished product or commodity capital then circulates in the market. When it is sold, the surplus value that is trapped in the commodity capital is released and flows back to capital.

> **The conversion of a sum of money into means of production and labor power is the first step taken by the quantum of value that is going to function as capital. This conversion takes place in the market, within the sphere of circulation**. **The second step, the process of production, is complete so soon as the means of production have been converted into commodities whose value exceeds that of their component parts, and therefore, contains the capital originally advanced, plus a surplus value. These commodities must then be thrown into circulation. They must be sold, their value realized in money, this money afresh converted into capital, and so over and over again**.
>
> —**Marx**, ***Das Kapital***

Only when sufficient amounts of capital can be reinvested in the process of producing more capital is capitalism as a whole happy.

Some of that reinvestment will be set aside as the “labor fund” that is to buy the labor power necessary for a fresh round of production. As we know, the ideal for every capitalist is that they push their labor costs towards zero. On the other

hand, some of the surplus value will be converted into the consumption fund of the capitalists. Here the ideal, unsurprisingly, is that funds should be as generous as possible, without detrimentally effecting the cycle of accumulation. The grossest inequalities between workers and capitalists are to be found in the United States, as the economist Edward N. Wolff has found:

FINANCIAL WEALTH

Year	Top 1%	Next 19%	Bottom 80%
1983	42.9%	48.4%	8.7%
1989	46.9%	46.5%	6.6%
1992	45.6%	46.7%	7.7%
1995	47.2%	45.9%	7.0%
1998	47.3%	43.6%	9.1%
2001	39.7%	51.5%	8.7%
2004	39.7%	50.3%	7.5%
2007	42.7%	50.3%	7.0%

So in 2007 the top 1% of the population had grabbed 43% of the available financial wealth (real estate – but not one's own home – plus cash, stocks, shares, and so forth) The next 19 % grabbed half of the available financial wealth of the US. Together then, the top 20% of the population had at their

disposal 93% of the liquid assets of American society. Which meant that the vast majority of the population, 80%, had to get by with only 7% of the available financial wealth. Money then is the perfect medium for circulating wealth in a very unequal fashion.

> **The capitalist class is constantly giving to the laboring class order-notes in the form of money, on a portion of the commodities produced by the latter and appropriated by the former. The laborers give these order-notes back just as constantly to the capitalist class, and in this way get their share of their own product. The transaction is veiled by the commodity-form of the product and the money-form of the commodity**.
>
> —**Marx**, ***Das Kapital***

It is clear that the majority of the population have a very unequal access to the social wealth they have produced due to the restricted nature of the "order-notes" they are given in return for the social wealth they create. The exploitative nature of the transaction is veiled by the selling of labor power at its value, the invisible capturing of the surplus produced, the apparent freedom of selling labor power in the market and the individualization of access to social wealth through the ownership of money or order-notes.

As the rich get richer, so the market in luxury goods expands. Let us listen in to how exciting this is for two founding figures of the Luxury Marketing Council:

> **NUCIFORA: Let's talk about the luxury marketplace. Size? Product categories? Seminal shifts? What's happening?**
>
> **FURMAN: In the last decade it has been the most robust market of perhaps any business sector. If you look at the regular retail mass market, its gross revenue growth over time, the increases have been in the range of 4%-6% annually. For the last decade, the luxury category has grown anywhere from 20% – 32%. In the U.S. alone, luxury is a $400 billion market. Authorities estimate that it will grow at a rate of 15% a year and will become a $1 trillion market by 2010**.

Nevertheless, the "regular retail mass market" is where the majority go to reproduce themselves so that they can produce the sort of profits that the luxury retail market depends on. But there is a problem.

All that the capitalist cares for is to reduce the laborer's individual

consumption as far as possible to what is strictly necessary.

Now of course that is entirely rational from the point of view of each individual capitalist. But if every capitalist is pressured to behave this way, then they must also be entertaining the fantasy that somewhere there are capitalists not so motivated to do that. Because who is going to buy the goods produced for the mass market if every worker is having his or her pay screwed down?

> **Every capitalist … does not relate to [the worker] as producer to consumer, and he therefore wishes to restrict his consumption, i.e., his ability to exchange, his wage, as much as possible. Of course he would like the workers of *other* capitalists to be the greatest consumers possible of *his own* commodity. But the relation of *every* capitalist to *his own* workers is the *relation as such* of *capital and labor*, the essential relation**.
>
> **—Marx**, ***Grundrisse***

Screwing down their own workers' pay and costs (such as health and safety) is exactly what every capitalist is doing (it is the essential relation of capital and labor). While that is rational from the point of view of each individual capitalist, for capitalism as a whole, it is a big problem. We have here another central contradiction of capitalism. What it is rational to do at an individual level, adds up, when everyone else does it, to a collectively very irrational result.

We are now on the cusp of explaining one of Marx's two theories of crises. The first theory that we will look at is the theory of OVERPRODUCTION and it relates to the industrial cycle, which under capitalism goes from boom to bust and all the stages in between. Marx's theory of cyclical crises has three elements:

1) That capitalism must expand or it enters crisis.

2) That its imperative to expand comes into conflict with the social inequalities it creates.

3) That the indifference of all the different parts of the socioeconomic system to one another caused by market competition creates breakdowns in the flow of value.

Overproduction refers to the fact that at some point there will be way too much capital tied up in some consumer commodities to be absorbed by mass consumption which has been restricted by the domination of capital. If commodity capital cannot be sold, then the flow of value is stopped.

> **As long as capital remains frozen in the form of the finished product, it cannot be active as capital, it is *negated* capital**
>
> **—Marx**, ***Grundrisse***.

Instead of being a demon-like possessor of material things, value becomes a desperate prisoner, trapped inside a material cage, unable to escape and flow back into the cycle of production.

> **The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses, in the face of the drive of capitalist production to develop the productive forces as if only the absolute capacity of society set a limit to them**.
>
> **—Marx**, ***Das Kapital***, **Volume III**

The way Marx phrases this formulation is very important. It explains why

Marx sees the periodic crises of capitalism as one of “overproduction.”

He is saying that there is a contradiction between the productive capacity of capitalism, which at the top of the boom is going at full steam, and the social relations of capitalism, which as we have seen, necessarily restricts the consumption of the masses. The absolute capacity of capitalist society to produce is not in fact the only limit on production. In fact, this capacity is in contradiction with the unequal social relationships of capitalism. But it is also in contradiction with the fact that consumption does have limits, while for capitalism the principle of limits is not one it likes to recognize.

> **The most immediately critical factor in the whole “overproduction” situation, to my mind, is excess plant capacity – which means more mills, more mines, more machines, aye, more farmers’ fields – than can be used. Not only is this equipment almost always in excess of purchasing power, but frequently, if you please, it is in excess of consumption requirements, granted unlimited purchasing power. American shoe factories are equipped to turn out almost 900,000,000 pairs of shoes a year. At present we buy about 300,000,000 pairs – two and one-half pairs per capita … For myself two pairs a year satisfy both utility and style. Yet if we doubled shoe consumption – gorging the great American foot, as it were – one-third of the present shoe factory equipment would still lie idle. There are more shoe factories than we have any conceivable need for, either here or in Utopia**.
>
> **—Stuart Chase**,
> ***Harper’s Magazine***, **1930**

Why is there excess productive capacity in some parts of the economy, excess

to effective consumption and even conceivable need given unlimited consumption? To account for this we need to combine the accumulation imperative with the fact that market capitalism has no coordinating mechanisms designed to regulate output to need. Private capital pours into production where it assesses a profit can be made and each unit of private capital no more consults with other capitalists than they do with their workers to assess overall social need.

The accumulation imperative, the separation of the worker from ownership of the means of production, the resulting social inequalities, and the overall anarchy of the market combine to overthrow hopes that market equilibrium can be achieved by the harmonious interaction of supply and demand.

These contradictions can be summed up as a general or master contradiction: on the one hand there are the forces of production (with their huge productive capacity) and on the other hand there are these social relations of production organizing these productive forces (where profit trumps use value and need).

> **Modern bourgeois society, with its relations of production, of exchange and of property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells. For many a decade past, the history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and of its rule. It is enough to mention the commercial crises that, by their periodical return, put the existence of the entire bourgeois society on its trial, each time more threateningly. In these crises a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity – the epidemic of overproduction**.
>
> —**Marx**, ***The Communist Manifesto***

Overproduction necessarily means that there is underproduction as well. If there are too many goods in one sector, then that means there must be too few goods in others. The total outlay of labor power is not synchronized with the total and varied needs of society because of the anarchic and socially unequal drive to accumulate.

We saw that under capitalism, exchange value is more important than use value. We saw that exchange value does not register an atom of the qualitative differences between commodities, the differences which enable them to satisfy specific needs. All exchange value registers is the quantitative differences in the same uniform homogenous stuff that is the substance of value: socially necessary labor time. If, for whatever complex of reasons, the socially necessary labor time is not at a sufficiently attractive level for capital to invest in a given area of production to satisfy a given set of human needs, then there will be underproduction in that area. Instead, capital and productive capacity flows elsewhere, led by the opportunity to make quantitatively greater value, irrespective of the impact on use values and need.

> **There is no necessary connection, however, but simply a fortuitous one, between on the one hand the total quantity of social labor that is spent on a social article, i.e., the aliquot part of its total labor power which the society spends on the production of this article, and therefore the proportion that the production of this article assumes in the total production, and on the other hand the proportion in which society demands satisfaction of the need appeased by that particular article**.
>
> **—Marx**, ***Das Kapital***, **Volume III**

Marx calls the crises of capitalism a crisis of overproduction, though, and not underproduction, because it is not the case that capitalism does not have the productive capacity to meet the full range of human needs for everyone. It just does not have the full range of human needs for everyone as its priority.

Sometimes, the political right implies that various problems are in fact a problem of productive capacity. Genetically modified food, for example, is regularly cited as an answer to world hunger. This is a lie. Around 25,000 people die every day – yes, every day – in the world due to hunger. They do not die because there is not enough food in the world to feed people. Productive capacity is there and self-sufficiency is realizable if resources were made available to farmers in the developing world. When a mode of production dominates global resources as capitalism does, then the buck for daily genocide on this scale must stop at its door.

Another way of thinking about capitalist crises is in terms of underconsumption, and this has been attractive to a number of left-wing analysts. After all, Marx himself points to the restricted consumption of the masses as central to capitalist crises. However, Marx is wary of the implications

of calling capitalism’s crisis tendency a problem of underconsumption.

> **It is sheer tautology to say that crises are caused by the scarcity of effective consumption. The capitalist system does not know any modes of consumption than effective ones … But if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could remark that crises are always prepared by precisely a period in which wages rise generally and the working class actually gets a larger share of that part of the annual product which is intended for consumption**.
>
> **—Marx*, Das Kapital,* Volume II**

John Maynard Keynes

The historical record would seem to endorse Marx's point. For example, after the Second World War, advanced capitalist countries established a kind of truce between capital and labor. High rates of productivity were achieved in return for good wages (sometimes this system is called Fordism, after Henry Ford, who applied mass production techniques to car-making). This was combined with the varied involvement of the state in providing public goods and regulations on the market (sometimes called Keynesian economic management after the economist John Maynard Keynes, who advocated state involvement to help stabilize the capitalist system).

However, by the end of the 1960s, capitalism was entering crisis once more as the long boom of the postwar years dried up. Capitalism could no longer afford for workers to take back the share of the total social product that they had in the good times.

> **If the labor fund constantly flows to him in the form of money that pays for his labor, it is because the product he has created moves constantly away from him in the form of capital**.
>
> **—Marx**, ***Das Kapital***

The 1980s and 1990s saw more product flowing away from the worker as capital and more people finding their consumption restricted as the power of capital increased and the power of workers to fight capital diminished. This new arrangement between capital and labor has been called neo-liberalism – a new version of the nineteenth-century freedoms that capital enjoyed from social

obligations. But of course this brings us back once again to the problem of how to bridge the gap between effective consumption and all that social product building up as values that need to be realized by sales.

The answer to this problem has been to bridge the gap between the total labor-fund and the mass of accumulating products through DEBT. This has been a crucially important means of keeping the capitalist show on the road, especially in North America, which provides such a powerful impetus to the global capitalist system.

Have a look at this eye-watering table and see the role debt has played in enabling impoverished consumers to have a share of the total wealth denied to them by their individual employers but necessary to the system as a whole:

OUTSTANDING CONSUMER DEBT AS PERCENTAGE OF DISPOSABLE INCOME
(in billions of dollars)

Year	Consumer Debt	Consumer Disposable Income	Debt as % of Disposable Income
1975	736.3	1187.4	62.0%
1985	2272.5	3109.3	73.0%
1995	4851.1	5408.2	89.8%
2005	11496.6%	9039.5	127.2%

Source: Board of Governors of the Federal Reserve System, Flows of Funds Accounts of the United States, Fourth Quarter 2005

What is remarkable is that the Federal Reserve, the central bank of the US, did not look at figures such as these and immediately announce that the economy was hurtling towards a certain disaster. Instead, the Fed, the politicians and the market continued to embrace what was nothing less than a mass social fantasy: namely that everything was hunky-dory and endlessly sustainable. The reality was that by 2005, debt far outstripped disposable income.

Unfortunately in 2008 the unsustainable nature of this debt-led solution to the contradictions of capitalism unravelled. Confidence in the so-called subprime mortgage market (i.e., loans for and against the homes of the poor) began to collapse. Because of the complex way loans had been packaged, divided up and sold throughout the system, banks had little idea who was vulnerable, who had

toxic debt. Lending between banks and therefore between banks and companies dried up, with catastrophic results. Marx wrote these lines in the latter half of the nineteenth century, but were he alive today, he would need only a little modification to apply them to the global capitalist crisis that broke out in 2008.

> **In a system of production where the entire interconnection of the reproduction process rests on credit, a crisis must evidently break out if credit is suddenly withdrawn and only cash payment is accepted, in the form of a violent scramble for means of payment. At first glance, therefore, the entire crisis presents itself as simply a credit and monetary crisis. And in fact all it does involve is simply the convertibility of bills of exchange into money. The majority of these bills represent actual purchases and sales, the ultimate basis of the entire crisis being the expansion of these far beyond social need. On top of this, however, a tremendous number of these bills represent purely fraudulent deals, which now come to light and explode; as well as unsuccessful speculations conducted with borrowed capital, and finally commodity capitals that are either devalued or unsaleable, or returns that are never going to come in**.
>
> **—Marx**, ***Das Kapital***,
> **Volume III**

Lack of effective demand for necessary goods (underconsumption) and underproduction of needed goods (such as affordable housing) are the necessary side effects of overproduction elsewhere. Overproduction is endemic in the car industry, for example, and much of the food industry, but also look at the annual

budget for the US military-industrial complex, standing at $700 billion at the time of the crash. It is this network of in-balances that make up overproduction, underproduction and underconsumption which underpins and is the ultimate cause of what appears at first glance as a credit and monetary crisis. But the term "overproduction" is the most accurate as it roots the problem in the inability of capitalism's social relationships to make best use of its productive capacity.

One of the consequences of any crisis is that it tends to accelerate what Marx calls the CENTRALIZATION of capital. This is the process whereby one portion of capital annexes, takes over and absorbs another portion of capital. Crises tend to produce winners and losers amongst capitalists as well, with the winners gobbling up the capital of the losers.

The process of centralization over time also interacts with the CONCENTRATION of capital. Concentration refers to the growing mass of capital as a whole as more and more capital is accumulated. Centralization on the other hand refers to the distribution of that mass of capital amongst capitalist organizations.

The historic tendency of capitalism is that as more and more capital accumulates, it is centralized into ever more gigantic individual units of capital that control huge resources. For example, today, many transnational corporations run bigger economies than the Gross Domestic Product of most countries.

Now the competition between ever larger pools of capital contributes to yet another contradiction:

> **The battle of competition is fought by cheapening of commodities. The cheapness of commodities depends … on the productiveness of labor, and this again on the scale of production. Therefore, the larger capitals beat the smaller**.
>
> **—Marx**, ***Das Kapital***

With the concentration and centralization of capital into ever larger units locked into competitive accumulation, we are now on the cusp of Marx's second theory of crisis. Marx calls this theory The Tendential Fall in the Rate of Profit. Marx develops this theory in detail in Volume III of *Das Kapital*.

This tendency for the rate of profit to fall is different from the theory of overproduction which explains the tendency towards cyclical crises. This second theory suggests a longterm, potentially terminal downward pressure on the rate of profit, making the crises of the industrial cycle more frequent and more painful. In effect, capitalism, according to Marx, gets sicker the older it gets.

Marx's theory of the tendential fall in the rate of profit has two parts to it. The

first part is the inter-capitalist competition which drives technological change in order to boost productivity and cheapen commodities. The second part is the consequence of this process, whereby short-term gains for individual capitalists transform into a downward pressure on the rate of profit.

Why? We have seen that as new technology is introduced into the production process, productivity is increased. As a result necessary labor time for the production of a commodity goes down, both for the individual capitalists who introduce this technology but also for other capitalists because cheaper goods can feed through to a lower value for the reproduction of human labor power.

We also saw that this did not really benefit the workers because all that happened was that as necessary labor time decreases, surplus labor time and therefore surplus value production increases. In other words, exploitation goes up.

However, Marx's theory of the tendential fall in the rate of profit brings out another aspect to this situation. While surplus value or exploitation goes up, the number of workers employed RELATIVE to the value of the constant capital purchased (especially new machinery) has gone down. As we know, living labor power is the only source of fresh value production, so if relative numbers are going down in order to win the battle of competition, capital is also undercutting the very basis for value production. Here's a question: Can surplus value extraction or the rate of exploitation of the remaining workers go up enough to compensate for this?

Let's walk through the argument step by step beginning with the first aspect of the theory – how inter-capitalist competition drives up productivity. We have already seen that augmenting the productivity of human labor power depends fundamentally on merging science and industry and transforming the machinery of production.

> **Like every other increase in the productiveness of labor, machinery is intended to cheapen commodities, and, by shortening that portion of the workday in which the laborer works for himself, to lengthen the other portion that he gives, without an equivalent, to the capitalist. In short, it is a means for producing surplus value**.
>
> **—Marx**, ***Das Kapital***

So the capitalist has a double motivation: increase surplus labor time relative to necessary labor time (i.e., surplus value) and cheapen the commodities they produce so they can undercut competitors. The capitalist who innovates first

> **pockets the difference between their costs of production and the market price of the other commodities, which are produced at higher production costs. This is possible because the average socially necessary labor time required to produce these latter commodities is greater than the labor time required with the new method of production. His production procedure is ahead of the social average**.
>
> **—Marx**, ***Das Kapital***, **Volume III**

The capitalist can now sell the products at or above its individual value but below its social value.

> **The individual value of these articles is now below their social value; in other words, they have cost less labor time than the great bulk of the same article produced under the average social conditions**.
>
> **—Marx**, ***Das Kapital***

The capitalist is now in a position to make a healthy profit while also undercutting their rivals.

The difference between the individual value of the commodities being produced with the latest technology and the social value of the same commodities being produced with the now depreciating technology, is, however, bound to close.

The impetus to innovate technologically is also at work on the competitors – even more so, when one capitalist has stolen a march on them. So in time, the new improved means of production are generalized across the sector.

> **This extra surplus value vanishes, so soon as the new method of production has become general, and has consequently caused the difference between the individual value of the cheapened commodity and its social value to vanish. The law of the determination of value by labor time, a law which brings under its sway the individual capitalist who applies the new method of production by compelling him to sell his goods under their social value, this same law, acting as a coercive law of competition, forces his competitors to adopt the new method**.
>
> **—Marx**, ***Das Kapital***

As the new means of production are generalized, the capitalist(s) who innovate first are likely to see their profit rates decline as their competitors catch

up. But does the rate of profit simply go back to the level it was before the first capitalists innovated?

According to Marx's argument, it does not. There is a downward pressure pushing the rate of profit below what it was before the latest round of technological change. The reason for this is that relative to capital expenditure on labor power, capital expenditure on constant capital, especially on new technology employed directly in the production process, is growing. However, as we know, constant capital can only have its value transferred to commodities. It does not create value.

> **Surplus value arises from the variable capital alone, and we saw that the amount of surplus value depends on two factors, viz, the rate of surplus value and the number of the workmen simultaneously employed**.
>
> **—Marx**, ***Das Kapital***

Technological changes in the means of production tends to do two things: a) the rate of surplus value does tend to go up and b) the number of workers employed after a transformation in the means of production does tend to go down. Since living labor power is the only source of new value production, the question is simply this: Can the rate of surplus value (i.e., exploitation) go up enough to compensate for the declining number of workers relative to the new costs of constant capital?

Let us take as an example commodity X. In each unit produced of commodity X there is the following breakdown between Constant Capital, Variable Capital and Surplus Value.

> **1. Constant Capital = 20 + Variable Capital = 80 (represented by 80 workers) + Surplus Value = 40. Total value embodied in the commodity = 140. The rate of surplus value is calculated by dividing Surplus Value by Variable Capital or unpaid labor by paid labor:**

$$\frac{40\ (SV)}{80\ (VC)} \qquad \text{rate of surplus-value} = 50\%$$

The rate of profit is calculated by adding in total capital outlay per item – i.e., Constant Capital and Variable Capital:

$$\frac{40}{20\,(CC) + 80\,(VC)} \qquad \text{rate of profit} = 40\%$$

Now let us say that another capitalist innovates his or her means of production and as a result the ratio between constant and variable capital changes – is reversed in fact. Now we have:

2. Constant Capital = 80 + Variable Capital = 20 (now represented by 20 workers) + 20 Surplus Value. The total value embodied in the commodity = 120. The rate of surplus value is:

$$\frac{20\,(SV)}{20\,(VC)} \qquad \text{rate of surplus value} = 100\%$$

So the rate of surplus value – i.e., exploitation of these fewer workers (20 instead of 80) – has doubled and this reflects their higher productivity with the new equipment. But look at what has happened to the rate of profit:

$$\frac{20}{80\,(CC) + 20\,(VC)} \qquad \text{rate of profit} = 20\%$$

The rate of profit has halved! It was 40%. Now it is 20%. Why?

Because while in both examples Constant Capital and Variable Capital add up to 100, in the first instance, the Variable Capital representing 80 workers is able to produce a Surplus Value of 40 for each commodity. In the case of the second capitalist who innovates, a Variable Capital representing only 20 workers can only produce a Surplus Value of 20. The rate of surplus value – i.e., the rate of exploitation has gone up – but NOT enough to compensate for the fall in the ratio of Variable Capital to Constant Capital.

This however is initially of little concern to the second capitalist. Initially capitalist No. 2 is going to prosper at the expense of capitalist No. 1 because she can sell her commodities at 120 or even higher, say 125, and still comfortably undercut capitalist No. 1 who is stuck with a commodity value of 140. Their higher rate of profit (40%) is of little use to them if they cannot realize the value trapped in the commodity, unsold on the selves. But when capitalist No. 1 is in turn forced to innovate or go out of business, the new average rate of profit will be set at 20% – until another round of innovation and job-cutting, and hence a

further decline in the rate of profit.

Once again short-term interests contradict longterm interests, individual interests contradict class interests, competition both boosts and then deflates the rate of profit. However, it is important to stress that Marx only ever stated that the downward pressure on the rate of profit is a TENDENCY, not a mechanical law, and he did suggest that there was room for maneuver for capitalists.

> **Diminution of the variable capital may … be compensated by a proportionate rise in the degree of exploitation of labor power, or the decrease in the number of the laborers employed or by a proportionate extension of the workday.… Nevertheless, the compensation of a decrease in the number of laborers employed, or of the amount of variable capital advanced, by a rise in the rate of surplus value, or by the lengthening of the workday, has impassable limits**.
>
> **—Marx**, ***Das Kapital***

So the capitalist could try and push up the rate of exploitation by employing fewer workers and making the remaining workers work harder (increasing intensity of work), or by pushing down their wages below their value, or by making the workers work a longer working day (increasing absolute surplus value). But as Marx notes, while there is some elasticity for the capitalist, each of these options does have impassable limits.

The capitalist may also try and extend the market for his or her goods – which are falling in price, after all. This motivates the capitalist to produce more and more product. But again, lurking behind this “solution” is the threat of overproducing the commodity and eventually trapping value in unsold stock.

Marx suggested that another way in which the tendential fall in the rate of profit could be checked was by making use of cheap raw materials, especially from the colonies of the major European powers. Just as capitalism depended on the dispossession of the rural worker from any independent means of production, so capitalism projected its power globally, getting a favourable kickstart with a massive theft of land and resources from around the world.

> **The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era of capitalist production**.
>
> **—Marx**, ***Das Kapital***

From the 1980s onwards, capital began to take advantage of declining costs in transport and new means of communication to relocate large chunks of manufacturing to the developing world. The new form of empire mostly uses economic power rather than direct political control or military force – although both are held in reserve should the need arise (as Iraq has found out to its cost).

China, for example, has been hugely attractive to western multinational companies investing there in all forms of manufacturing. As a result, China today produces 20% of the world's manufactured goods. China, along with other developing nations, offers advanced capitalism the chance to travel in time. Uneven development means that there is a kind of timewarp whereby modern capitalism can make use of labor power that has the value of the nineteenth-century worker, not the twenty-first century worker.

Capitalism can combine the labor-and time-saving advantages of the latest technology with labor power that has not long left behind its rural and peasant past. Its value therefore in the labor market is incomparably lower than the value of labor power in the advanced capitalist regions. But since the goods have to be shipped back to the West to be sold (well above their value) because Chinese labor cannot afford them, new contradictions emerge, such as the huge and unsustainable trade deficit that America has with China. All counterfactors to the downward pressure on the rate of profit have their limits and generate their own contradictions.

So, to summarize, advances in productivity mean that the living labor applied in the work process declines in relation to the value embodied in the constant capital that it sets in motion. This is good news. It is progress. But such progress is bad news for capitalism. It now takes less living labor time to produce the same amount of wealth than it formerly did. The augmentation of labor power by new technology reduces the amount of value absorbed by each commodity produced, thus driving down prices and aiding the capitalist in competition with fellow capitalists. But at the same time, the relative decline of living labor involved in the process of production, even when exploited more than before, places a downward pressure on the rate of profit. Capitalism is pulling in two contradictory directions and this must be a major faultline within the system.

That's Marx's theory of the tendential fall in the rate of profit. One difficulty is that it is very difficult to prove empirically in its own terms. The data on the ratio of constant capital to variable capital is difficult to gather and assess on the scale necessary to do the calculations. Marx himself merely used illustrative figures that bore no relationship to the real economy. This makes it difficult to apply the theory in any detailed way to contemporary shifts. For example, one of the counterfactors that can prop up the falling rate is that along with other commodities, means-of-production goods (which make up the fixed part of constant capital) are also getting cheaper.

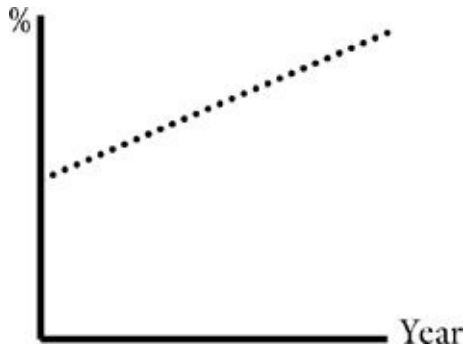
> **The same development that raises the mass of constant capital in comparison with variable reduces the value of its elements, as a result of higher productivity of labor, and hence prevents the value of the**

> **constant capital, even though this grows steadily, from growing in the same degree as its material volume, i.e., the material volume of the means of production that are set in motion by the same amount of labor power. In certain cases, the mass of constant capital elements may increase while their total value remains the same or even falls**.
>
> **—Marx**, ***Das Kapital***,
> **Volume III**

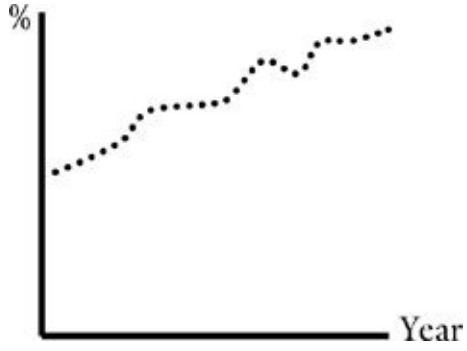
This may help offset the downward pressure on the rate of profit because less capital expenditure is going to constant capital relative to variable. Some have argued that this is particularly the case given the revolution in information technology. But it is almost impossible to prove one way or another because it is not the kind of data that is available on a sufficiently large scale.

Despite these very real difficulties, the theory does follow logically from Marx's argument. Moreover, there is empirical evidence to suggest that there is a downward pressure on profit rates and if that is the case, Marx's theory probably provides the best framework with which to begin to understand the complex causes behind this phenomenon.

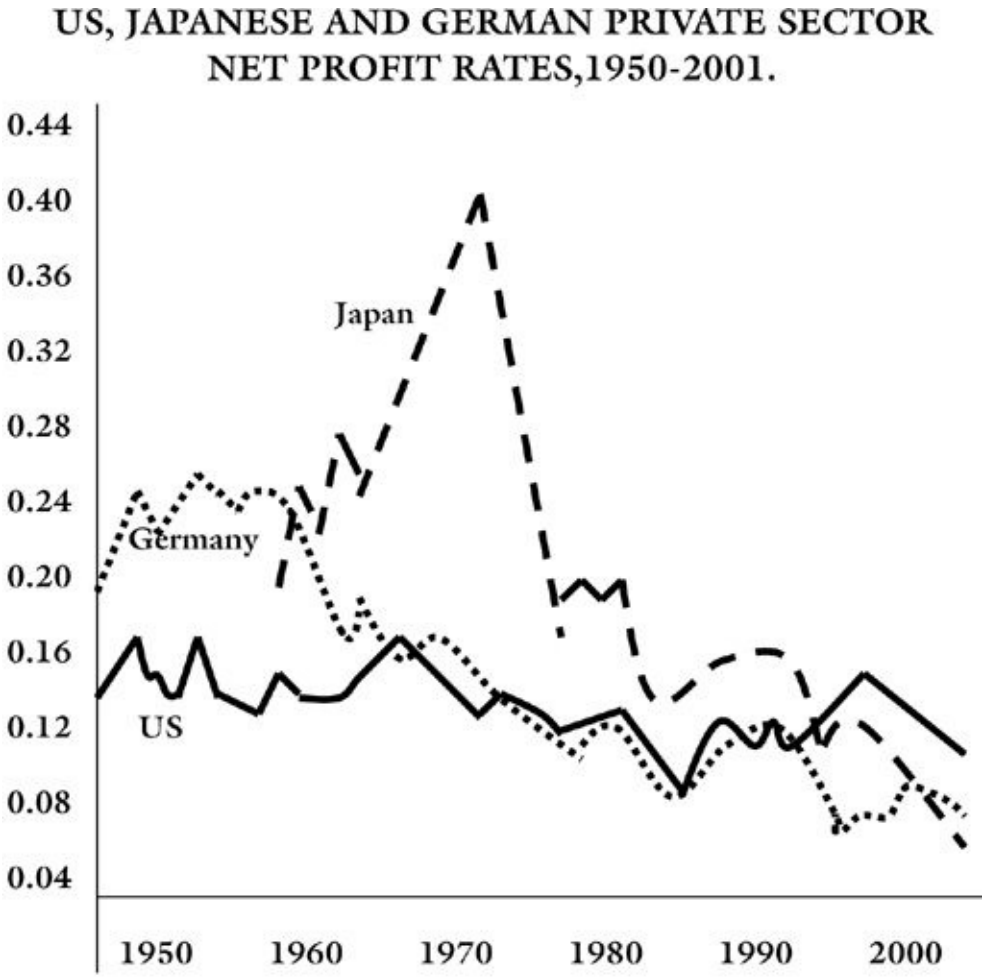
The story of the rate of profit after the Second World War (1939-1945) for the major capitalist economies does not look like this:



Or even this:



But more like this:



Source: *The Economics of Global Turbulence*, Robert Brenner.

The trend, despite a few ups, is unmistakably down over the long term. The highs of US and German capitalism during the 1950s have never been recaptured. The stratospheric highs of Japanese capitalism in the late 1960s, touching 40%, now look like a distant memory, with the rate of profit bumping along under 8%. There is a brief but unsustainable recovery during the 1980s and for US capitalism the 1990s as well, before the downward trend continues after the 1997 South-East Asian crisis.

But why does it matter that the rate of profit falls? Marx is clear that this does not preclude the possibility that the absolute mass of profit will grow. The problem, however, is that the rate of profit is the “spur,” as Marx calls it, for capital to invest back into the production process.

> **The realized rate of profit is the direct measure of firms' ability to derive surpluses from their plant, equipment, and software. It is also the best available predictor of the rate of return that firms can expect on their new investment. As a result, the rate of profit is the fundamental determinant of the rate at which the economy's constituent firms will accumulate capital and expand employment**.
>
> —**Robert Brenner**, ***The Economics of Global Turbulence***

If the spur for reinvesting surpluses is falling, then one would expect to see capital sitting on ever growing amounts of capital in the bank. This indeed has been happening, with US corporations, for example, sitting on huge cash mountains because they do not feel the rate of return on investing in new plant and workers is going to be all that beneficial. Large amounts of cash floating around the banking system, however, only fuels unsustainable consumption and risky speculative activity in the financial markets – as the 2008 crash shows. The size of these uninvested surpluses may be taken as a sign of a very dysfunctional economic system at a time when there are many pressing needs to be met, such as developing an environmentally sustainable economy.

Although crises are bad news for people, they are not necessarily bad news for the capitalist system as a whole. Crises play a role in conserving capitalism.

> **Crises are never more than momentary, violent solutions for the existing contradictions – violent eruptions that reestablish the disturbed balance for the time being**.
>
> **—Marx**, ***Das Kapital***, **Volume III**

Indeed, economic crises, natural disasters and war have become wonderful opportunities for capitalists to seize assets on a large scale. The phenomenon of predatory interventions after disasters has been called the "shock doctrine."

> **I started researching the free market's dependence on the power of shock [during] the early days of the occupation of Iraq. After reporting from Baghdad on Washington's failed attempts to follow Shock and Awe with shock therapy, I travelled to Sri Lanka, several months after the devastating 2004 tsunami, and witnessed another version of the same maneuver: foreign investors and international leaders had teamed up to use the atmosphere of panic to hand the entire beautiful coastline over to entrepreneurs who quickly built large resorts, blocking hundreds of thousands of fishing people from rebuilding their villages near the water**.
>
> **—Naomi Klein**, ***The Shock Doctrine***

Marx also had to try and explain how a system as crisis-prone and exploitative as capitalism manages to retain some legitimacy and support amongst the classes. Marx pointed to the mutually reinforcing ways that economic coercion tends to become internalized and naturalized as "the way things are":

> **It is not enough that the conditions of labor are concentrated in a mass, in the shape of capital, at one pole of society, while at the other are grouped masses of men who have nothing to sell but their labor power. Neither is it enough that they are compelled to sell it voluntarily. The advance of capitalist production develops a working class, which by education, tradition, habit, looks upon the conditions of that mode of production as self-evident laws of nature. The organization of the capitalist process of production, once fully developed, breaks down all**

> **resistance. The constant generation of a relative-surplus population keeps the law of supply and demand of labor, and therefore keeps wages, in a rut that corresponds with the wants of capital. The dull compulsion of economic relations completes the subjection of the laborer to the capitalist. Direct force, outside economic conditions, is of course still used, but only exceptionally. In the ordinary run of things, the laborer can be left to the "natural laws of production," i.e., to his dependence on capital, a dependence springing from, and guaranteed in perpetuity by the conditions of production themselves**.
>
> —**Marx**, ***Das Kapital***

What Marx is alluding to here is how the dull compulsion of economic relations becomes a cultural power embedded in everyday life. Education (not formal education but our daily "lessons" in life), tradition and habit train and adapt the human being to accept the capitalist system. Famously, Marx outlines in *Das Kapital* a theory that gives us an insight into the psychic gratifications which the individual receives from identifying with the very system that disempowers them. On top of that, Marx suggested how the battle for hearts and minds (very important given the crisis tendencies of the system) is fought out across a range of institutions, including the state, culture, media and religion. This is the subject of the next chapter.

chapter 7:
commodity fetishism and ideology

The cultural anthropologist and contemporary of Marx, Edward Burnett Tylor, wrote in his book *Primitive Culture*:

> **To class an object as a fetish demands explicit statement that a spirit is considered as embodied in it or acting through it or communicating by it, or at least that the people it belongs to do habitually think this of such objects; or it must be shown that the object is treated as having personal consciousness and power, is talked with, worshipped, prayed to, sacrificed to, petted or ill-treated with reference to its past or present behavior to its votaries**

The term fetish was commonly applied by anthropologists and Christians to the religious beliefs and practices found amongst the African tribes that colonial expansionism brought westerners into contact with. From Burnett's description we can identify a number of the characteristics of the fetish:

1. It is a physical object believed to be inhabited by some metaphysical power or spirit.

2. The person possessing it believes this power or spirit communicates through the physical thing.

3. This person also believes the object itself possesses some form of independent consciousness, autonomy and will.

4. The possessor of the fetish has an intense relationship with it, as if it were alive, as if it were a being instead of a thing.

One can immediately see why the term fetish appealed to Marx as a way of thinking about capitalism. And it continues to have potency as a way of thinking about capitalism today. Indeed, if you look at this breakdown of Burnett's description, you will notice that the fetishism of objects dances before your eyes on most television advertisements.

If modern Victorian society thought it had long ago left behind such primitive and backward practices as fetishism, Marx had news for them. Under capitalism, fetishism was very much alive and well and it took the form of the commodity.

> **A definite social relation between men … assumes, in their eyes, the fantastic form of a relation between things. In order, therefore, to find an analogy, we must have recourse to the mist-enveloped regions of the religious world. In that world the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and the human race. So it is in the world of commodities with the products of men's hands. This I call the Fetishism which attaches itself to the products of labor, so soon as they are produced as commodities, and which is therefore inseparable from the production of commodities**.
>
> **—Marx**, ***Das Kapital***

What is the definite social relation that assumes the fantastic form of a relation between things? We saw earlier that the circuit of capital M – C – M+ is a circuit that is entirely outside any control by human beings. Even capitalists must obey its imperatives, or cease being capitalists. The basis of this circuit of accumulation is in the sphere of production. Under capitalism the free worker is separated from owning and controlling the means of production. The means of production and the goods they produce therefore acquire a life of their own, independent of the direct producer. It is the relationships between these "things" (money, capital, commodity, interest, price, value and so forth) that dominate human beings, not vice versa.

These "things" acquire the same frightening characteristic of being as uncontrolled and potentially harmful as nature once posed to human beings. Before capitalism, it was the immature level of the forces of production that attracted human beings to the fetish.

The fetish promised some protection against ill fortune and other mysterious forces that were not well understood.

Under capitalism, the forces of production are no longer immature; our control over our natural environment means that it no longer holds the kinds of terrors which it did for our ancestors. But the fetish still lives because now it is our social relationships that frighten and imperil us. They have escaped our control and will. The market, capital, commodities, and money have become things that command our lives, their movements deciding the fate of millions, their imperatives inescapable.

This is one side of the commodity fetish: things govern our lives, we do not govern them. They are not only independent of our will but confront us as a force of nature, something about which we can do nothing, just as our ancestors had a limited ability to keep nature's deprivations and unpredictable behavior at bay. Capitalism, which is ultimately the product of human social activity, but one over which we have lost collective control, acquires the appearance of being as independent of us as the laws of gravity, or as God.

If in some manifestations this is frightening, in other ways this very independent "objectiveness" becomes a source of comfort and solace within the culture of capitalism. For now we are promised that the system that dominates us like a force of nature is at least independent of ALL social and economic interests. It appears as a neutral mechanism, above partisan struggles, regulating human behavior and magically transforming self-interest into collective harmony and balance.

But the commodity fetish also has another face. It promises, if only we can possess it, to win back a little bit of the power we have surrendered to capital. Money, with its promise of access to social wealth, and consumer commodities, trailing all the promises touted by a vast industry of promotion, marketing and

advertising, function as a sort of compensation for all that we have lost, if only we can possess them.

Our very sense of being appears to depend on private possession.

> **The alternative of *having* versus *being* does not appeal to common sense**. ***To have***, **so it would seem, is a normal function of our life: in order to live we must have things. Moreover, we must have things in order to enjoy them. In a culture in which the supreme goal is to have – and to have more and more – and in which one can speak of someone as "being worth a million dollars," how can there be an alternative between having and being? On the contrary, it would seem that the very essence of being is having; that if one *has* nothing, one *is* nothing**.
>
> **—Erich Fromm**, ***To Have Or To Be?***

Studies into happiness suggest that Fromm's distinction between having and being is correct. Research shows that the more people identify "being someone" with having things, the unhappier they are:

> **Materialists are more emotionally insecure, have poorer quality personal relationships, are more inauthentic and lacking in a sense of autonomy, and have lower self-esteem. [As] children they are likely to have parents who make love conditional on performance, making their offspring materialistic**.
>
> **—Oliver James**, ***The Selfish Capitalist***

The problem is not that commodities are material things in a wonderful array of forms. No one wants to go back to hair-shirts. The problem is that these fetishes only work as compensations to a fundamental powerlessness if the REAL power relations in which they are embedded are repressed or forgotten. And even then, because they are substitutes for addressing our real powerlessness, they do not really work. They do not really make us happy, contented beings. The fetish therefore is founded on repressing the social relationships in which it is necessarily embedded.

> **The banknote we hold in our hand seems a harmless thing, but look at it more closely and we can see a whole world of people fighting for survival, some dedicating their lives to the pursuit of money, some (many) desperately trying to get hold of money … some trying to evade money … some killing for money, many each day dying for lack of money**.
>
> **—John Holloway**,
> ***Change The World***
> ***Without Taking Power***

Although Marx does not use the term fetishism all that often in *Das Kapital*, the idea informs much of the architecture of the work. The opening chapters of Volume I are all about the sphere of exchange and circulation as the seedbed for the spontaneously generated notions, ideals, habits and consciousness which capitalist practices generate. This sphere of reality is what Marx calls the *phenomenal form* – how reality strikes us in its immediate presentation when we succumb to the power of fetishism.

> **This phenomenal form, which makes the actual relation invisible, and indeed shows the direct opposite of that relation, forms the basis of all the juridical notions of both laborer and capitalist, of all the mystifications of the capitalist mode of production, of all its illusions as to liberty, of all the apologetic shifts of the vulgar economists**.
>
> **—Marx**, ***Das Kapital***

The capitalist marketplace appears to be a realm of liberation, freedom, empowerment and individual agency. This is the basis for free contractual exchange. But this can only be sustained by repressing the "actual relation." For Freud, the sexual fetish was a way the male psyche coped with the threat of symbolic castration represented by the figure of the women. For Marx, the fetish is a way of coping with the very real social castration that men and women suffer under capitalism.

In fact, commodity fetishism makes abundant use of sexual fetishism: barely a commodity can be advertised without implying that with it the buyer will become more sexually potent, more sexually satisfied and more attractive to the opposite sex. (Same-sex relations have a more problematic place within an economy so dependent on the "natural" reproduction of future human labor

power through the private family).

If the capitalist market is such a realm of freedom, liberation and empowerment, why can we not choose to go beyond the capitalist market? At that point the other face of the fetish kicks in: capital, commodities, money, price, markets become a kind of Second Nature, an inviolable and untouchable given which the economists and the politicians tells us we must accept as part of the cosmic order of things.

> **The social character of activity, as well as the social form of the product, and the share of individuals in production here appears as something alien and objective, confronting the individuals, not as their relations to one another, but as their subordination to relations which subsist independently of them, and which arise out of collisions between mutually indifferent individuals**.
>
> **—Marx**, ***Grundrisse***

Looked at from one angle, if we view our relations with one another as nothing more than random collisions between mutually indifferent individuals and exchanges, then the "things" which mediate those collisions – price, value, money, capital, commodity and so forth – will acquire an absolutely "objective" (i.e., independent) quality – like the laws of gravity.

> **The general exchange of activities and products, which has become a vital condition for each individual – their mutual interconnection – here appears as something alien to them, as a thing**.
>
> **—Marx**, ***Grundrisse***

This appearance, however, is partial and incomplete insofar as while under capitalism, social and economic relations really have escaped our control, this is the result of social and historical conditions which can in principle be reversed, in a way that the laws of gravity cannot.

But from another angle, the phenomenal form of capitalist society as arising out of a random collision of autonomous activities and exchanges gives the appearance of a wide sphere of subjective and individual freedom.

> **Although individual A feels a need for the commodity of individual B, he does not appropriate it by force, nor vice versa, but rather they recognize one another reciprocally as proprietors, as persons whose will penetrates their commodities. Accordingly, the juridical moment of**

> **the Person enters here.… No one seizes hold of another's property by force. Each divests himself of his property voluntarily.… Each serves the other in order to serve himself**.
>
> —**Marx**, ***Grundrisse***

By now we know that as with the appearance form of society as something absolutely objective and independent from us, this other face of fetishism is only true within the very narrow terms set up by capitalism in the first place. Its rosy, positive and upbeat implications completely fail to disclose the hidden violence, coercion and theft that takes place under capitalism. It is not the person's will that penetrates commodities, it is the imperatives of commodities that penetrate the person's will.

These two faces of the fetish – society as a purely objective, nature-like "thing" and the individual's freedom as purely subjective, without any social determination – simply do not add up. Even pure subjectivity has its negative alter ego, as a subject without boundaries is just as frightening as an object world of "things" indifferent to individual subjectivity.

Not much in capitalism does add up to a coherent unity. Not use value and

exchange value, not labor and capital, not constant and variable capital, not necessary and surplus labor, not the short-term and the longterm, the means and the end, production and consumption, the objective and the subjective, or the forces and relations of production. All of these oppositions indicate how capitalist societies pull in very different directions.

Marx's concept of the commodity fetish gives us a way into thinking about how such contradictory pressures play themselves out within our consciousness and psychology as well. How capitalism is "inside us" and not just "out there." This same concept also explains the seedbed for many of the most important ideals, values and beliefs of capitalist societies. They are spontaneously generated up out of the act of exchange itself when commodity exchange becomes a near universal feature of life.

> **The exchange between capital and labor at first presents itself to the mind in the same guise as the buying and selling of all commodities. The buyer gives a certain sum of money, the seller an article of a nature different from money. The jurist's consciousness recognizes in this, at most, a material difference**.
>
> —**Marx**, ***Das Kapital***

The exchange between laborer and capitalist in the market strikes the senses as one free from domination and coercion because the domination and coercion does not occur right there at that instant of exchange. The worker does not arrive at the point of exchange in chains. The capitalist does not arrive with a vanload of armed goons. Nothing as tangible to the senses and obviously coercive and exploitative takes place. It is only when we set the exchange within a much wider context of production, that we begin to see, as we have, the problematic social relationships that lie behind this exchange of materials (money for labor power). Once again, there is a difference between how things appear (their phenomenal form) and how things really are (their essence).

Nevertheless, because the sum total of our lives is much, much more than a series of market exchanges, and because a web of social connections links us together, at work, in communities, across economic sectors, along whole chains of commodities stretching across the world, the commodity fetish cannot possibly successfully colonize every aspect of our consciousness and experience.

However, under capitalism, there develops an array of institutions that help to work up the fetishistic forms of daily life into more or less coherent doctrines and to tell more or less coherent narratives about the way things are. These institutions enable ideas, values, beliefs and so forth to be developed and adapted

according to the specific historical conditions of different capitalist societies. These doctrines and narratives must try and make sense of events – must try and make sense of the contradictions of capitalism in a way that supports capitalism or at the very least does not call the fundamentals of capitalism into question.

> **The ideas of the ruling class are in every epoch the ruling ideas – i.e., the class which is the ruling *material* force of society is at the same time its ruling *intellectual* force. The class which has the means of material production at its disposal has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it. The ruling ideas are nothing more than the ideal expression of the dominant material relationships, the dominant material relationship grasped as ideas; hence of the relationships which make the one class the ruling one, therefore, the ideas of its dominance. The individuals composing the ruling class possess among other things consciousness, and therefore think. Insofar, therefore, as they rule as a class and determine the extent and compass of an epoch, it is self-evident that they do this in its whole range, hence among other things rule also as thinkers, as producers of ideas, and regulate the production and distribution of the ideas of their age: thus their ideas are the ruling ideas of the epoch**.
>
> **—Marx and Engels**, ***The German Ideology***

Some of the key institutions for the production of ideas congruent with capitalism are the education system, the political system, the media, religion and even worker organizations such as trade unions. These institutions are staffed not by the ruling class directly, but by what Marx calls “conceptive ideologists.” Tied to the state or to corporate power or to both, these institutions and their conceptual ideologists generate the frameworks by which to interpret the messy, conflictual reality going on around them and in which they are immersed.

Because their ideas and value systems do have some basis in reality – in the reality of the capitalist system’s phenomenal forms (capital, commodities, exchange, markets, competition and so forth) and their effects – their idea-systems or ideologies do have some sticking power, some purchase, and often a quite worrying degree of plausibility in the minds of the population.

At the same time, because these phenomenal forms of reality do not and cannot make sense of the totality of what is really going on, these dominant ideas have their limits, weaknesses, blindspots, vulnerabilities. They can become confused or bewildered by events they struggle to explain with any degree of plausibility. Or it may not be entirely clear which course of action is best suited to defending and advancing the interests of capitalism as a whole in any given situation, especially when there is mounting opposition.

The complexity of any battle for hearts and minds in any real historical situation was not Marx's main focus in *Das Kapital*, but he does give one example. Here a four-way fight between different classes or fractions within classes expands the scale of what can be expressed and how widely it can be disseminated. The fight takes place around the movement to repeal the Corn Laws. These were import duties introduced in 1815 to protect British landowners from cheaper imports. But a Free Trade movement grew agitating for their repeal. This movement was made up of both middle-class liberals, who had a wide range of moral motives for reform, and industrialists who had an economic interest in repealing the Corn Laws.

The repeal of the Corn Laws was attractive to industrialists because cheaper food would lower the value of labor power. It attracted the workers' movement for the opposite reason: cheaper food would leave more disposable income for other goods (but not if the industrialists forced down their wages!). Some middle-class agitators also tried to enlist the support of the workers by promising support for a 10-hour workday – which the industrialists certainly did not want. The big landowners for whom the Corn Laws had been written, certainly did not want to see them repealed. This is how Marx describes the impact of this complex four-way class struggle on what we would today call the "public

sphere.”

> **The time just before the repeal of the Corn Laws threw new light on the condition of the agricultural laborers. On the one hand, it was to the interest of the middle-class agitators to prove how little the Corn Laws protected the actual producers of the corn. On the other hand, the industrial bourgeoisie foamed with sullen rage at the denunciations of the factory system by the landed aristocracy, at the pretended sympathy with the woes of the factory operatives, of those utterly corrupt, heartless, and genteel loafers, and at their “diplomatic zeal” for factory legislation. It is an old English proverb that “when thieves fall out, honest men come into their own,” and in fact the noisy, passionate quarrel between the two fractions of the ruling class about the question, which of the two exploited the laborers the more shamefully, was on each hand the midwife of the truth. Earl Shaftsbury, then Lord Ashley, was commander-in-chief in the aristocratic, philanthropic, anti-factory campaign. He was, therefore, in 1845, a favourite subject in the revelations of the *Morning Chronicle* on the condition of the agricultural laborers**.
>
> **—Marx**, ***Das Kapital***

In an investigative exposé, the newspaper revealed how the great anti-factory campaigner, Lord Ashley/Earl of Shaftsbury, exploited his tenants by charging high house rents on some of the most poorly paid workers in the land. Marx cites data unearthed by the *Morning Chronicle* in detail. The newspaper of course was

not a foe of capitalism but an organ of the Liberal Free Traders. Yet in the context of internal conflicts within the dominant class and the rising workers' movements, ideological production also becomes ideological struggle. It is not an equal or fair struggle, but nevertheless, the struggle for hearts and minds can be the midwife of truths that point beyond the limited terms of the debate established by, in this case, the media. A worker might reasonably conclude from the general public debate that neither the landlord nor the industrialist has their interests at heart, while the middle-class liberal hopes to reconcile piecemeal reform with his or her conscience.

The formula from *The German Ideology* stating that the ruling ideas are the ideas of the ruling class was meant as a blow against the tendency of philosophers and moralists to think that their belief systems were independent of anything so vulgar as social and economic interests. Marx's example from *Das Kapital*, however, suggests a number of things that complicate this formula:

Ruling ideas are not uniform but made up of different strands. Other ideas are implicitly if not explicitly acknowledged or in circulation (here the rising workers' movement, which both sides of the ruling class wanted to "win over").

Ruling ideas are to varying degrees composed of elements, perspectives, values, etc., drawn from the subordinate classes in order precisely to speak to them more convincingly (otherwise where does the moral outrage at exploiting

workers in Marx's example come from?).

The Marxist who developed Marx's ideas about ideological struggle in the most sophisticated way was Antonio Gramsci. He was one of the leading figures in the Italian Communist Party between the First and Second World Wars. He sketched out a framework to think about the role of conceptual ideologists or intellectuals within a class-divided society. Gramsci drew on Marx's distinction between the economic structure of society – i.e., its mode of production – and its superstructure, which refers to all those organizations, private and public, that involve intellectual production.

> **The relationship between the intellectuals and the world of production is not as direct as it is with the fundamental social groups but is, in varying degrees, "mediated" by the whole fabric of society and by the complex of superstructures, of which the intellectuals are, precisely, the "functionaries"…. [We can] fix two major superstructural "levels": the one that can be called "civil society", that is the ensemble of organisms commonly called "private", and that of "political society" or "the State". These two levels correspond on the one hand to the function of "hegemony" which the dominant group exercises throughout society and on the other hand to that of "direct domination" or command exercised through the State and "juridical" government … The intellectuals are the dominant group's "deputies" exercising the subaltern functions of social hegemony and political government. These comprise: 1. The "spontaneous" consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group; this consent is "historically" caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production. 2. The apparatus of state coercive power which "legally" enforces discipline on those groups who do not "consent" either actively or passively. This apparatus is, however, constituted for the whole of society in anticipation of moments of crisis of command and direction when spontaneous consent has failed**.
>
> —**Antonio Gramsci**, ***Selections From The Prison Notebooks***

The relationship between intellectuals and the world of production is shaped by the whole of society and by the complex divisions of labor within the superstructure. Gramsci distinguishes between the private organizations of civil society and the state which he tends to associate with legal and physical force and coercion. The private organizations of voluntary membership and use he associates with the function of building hegemony. Hegemony is the shaping of the consent of the masses to the direction of social and economic life as controlled by the ruling class. This consent is anything but spontaneous (hence the quotation marks) but is the result of a relentless battle for hearts and minds on every cultural and political front. Where consent is challenged or when it is diminished to a degree that threatens the ruling class, then the coercion and force of the state can be used.

The strong distinction between civil society and the state is however a bit blurred in the case of many institutions. Political parties are part of the state but, in democracies, they have to win consent (and votes) and membership in them is voluntary. The family is a private cell but membership (for children) is not voluntary and it is often supported materially and always ideologically by the state. Education is part of the state, but again it runs largely on the basis of consent, although backed up with coercive powers if need be.

But the broad thrust of Gramsci's argument is clear enough. The intellectuals have a key role in orchestrating consent to the moral and intellectual lead (hegemony) which the ruling class must exercise over social and economic life if they are to be a ruling class.

Most politicians, scientists, journalists, clergy, academics, researchers and reformers do not believe that that is the role they and their organizations play. They have developed elaborate professional protocols that help conceal the social and economic interests that shape what it is that they do. But the fact that

their institutions are staffed primarily with other intellectuals, that the ordinary public has little input in or say over what they do while the state and/or corporate power has immense influence over what they do, how they do it and why, testifies otherwise. Here is how the professional codes of conduct work in the media to build hegemony:

> **In the United States journalism evolved to incorporate certain key values in the professional code; there was nothing naturally objective or professional about those values.… [To] remove the controversy connected with story selection, professional journalism regards anything done by official sources – for example, government officials and prominent public figures – as the basis for legitimate news. … Journalists who raise issues no official source is talking about are accused of unprofessional conduct and of attempting to introduce bias into the news.… A second flaw of journalism is its avoidance of contextualization.… Under professional standards, providing meaningful context and proper background tends to commit the journalist to a definite position and thereby generates the controversy professionalism is determined to avoid.… Far from being politically neutral, journalism smuggles in values conducive to the commercial aims of owners and advertisers and to the political aims of big business. … So it is that crime stories and stories about royal families and celebrities become legitimate news**.
>
> **—Robert W. McChesney**, ***The Problem of the Media***

Gramsci, though, was sensitive to the complex, diverse, dynamic and hybrid process of dialogue involved in the process of winning consent. It is characterized less by the topdown imposition of pure doctrines than by a messy and differentiated if unequal compromise across class lines and oftentimes the winning of an almost begrudging consent from the masses, but at the cost of ruling ideologies having to incorporate at least some elements of local or class specific realities. This is Gramsci describing the role of just one hegemonic institution in Italy in the 1930s, the Catholic Church:

> **The principle elements of common sense are furnished by religion. … But even as regards religion, a critical distinction needs to be made.**

Every religion, even the Catholic one … is in reality a multiplicity of distinct and often contradictory religions: there is the Catholicism of the peasants, the Catholicism of the petty bourgeoisie and of the town workers, the Catholicism of the women and the Catholicism of the intellectuals, and this is also varied and disconnected. But not only do the cruder and less elaborate forms of these various existing Catholicisms have an influence in common sense: previous religions, the earlier forms of present-day Catholicism, popular heretical movements, scientific superstitions bound up with past religions, etc., these have influenced and are components of present-day common sense. In common sense the "realistic," materialistic elements predominate, that is, the direct products of raw sensation; but this does not contradict the religious element; on the contrary, these elements are "superstitious," a-critical.

—**Gramsci**, ***The Modern Prince and Other Writings***

Gramsci offers us a model of how to conduct analysis of ideologies. He penetrates beneath the appearance that Catholicism is a seamlessly unified and coherent ideology and identifies the different strands that constitute it. Catholicism's unity is in turn inflected and differentiated by the different classes, regions and even genders of the people who pronounced themselves to be

Catholics.

Gramsci then indicates that Catholicism combines with and has to contend with other religious sentiments still active within the consciousness of some of the population. Finally, he points out that religion is subordinate in common sense to the "materialist" philosophy rooted in the everyday reality of capitalist society.

But in a sudden and surprising twist to the argument that recalls Marx's analogy between commodity fetishism and religion, he states that religious spirituality and a crude materialism are not in fact in contradiction with one another!

Having demonstrated the contradictory nature of the different elements making up the Catholic influence on common sense, he suddenly upends the reader and reminds us of the hidden affinity between the religious outlook and the crude materialism that capitalism fosters: namely an unquestioning acceptance of what is (e.g., capital, commodities, etc.) that is just as fatalistic as the pious attitude that whatever happens is "God's will."

In general, Gramsci saw common sense as a contradictory amalgam made up of disparate bits and pieces of cultural materials drawn from the past and the present, shaped by hegemonic institutions but also forged in the circumstances of everyday life. Insofar as common sense is fragmentary and contradictory, that is a weak spot within the cultural weaponry of the ruling class. It opens up gaps and fissures in consciousness that could be developed to break with common sense and develop what Gramsci called good sense. Such development though requires political organization and collective action.

But the fragmentary nature of common sense also works for the ruling class. When common sense stays relatively incoherent, never reflecting seriously on the incompatible elements that make it up or where the sources of common sense derive from, then that is perfectly acceptable for the ruling class. Why? Because incoherence is no basis for opposition.

Taking up Gramsci's approach we can see how Hollywood might have the same kind of official unity and power as the Catholic Church in Gramsci's day. The concentration and centralization of economic power in the film industry has given Hollywood a global reach. The penetration of the commodity form into Hollywood affects every aspect of it, from its narrative structures, stars, special effects and product placement. Yet we can also detect the sort of contradictory combination of distinct "philosophies" in Hollywood cinema that Gramsci found in the Catholic Church.

For example, it is not unusual to find Hollywood films expressing quasi-Marxist critiques of Big Business even as this is combined with individualistic,

capitalist-style solutions to narrative problems. Just as the Catholic Church had to incorporate and adapt to the different conditions and classes of Italy, while still retaining some ideological unity, so Hollywood has to occasionally acknowledge, incorporate and indeed exploit for entertainment purposes popular anxieties about and hostility towards Big Business. Politically progressive creative talent at the heart of the corporate film system does have some leverage.

> **The crucial fracture in the corporate strategy of power is that each film must be sold as its own mini-brand. The logo at the start of a film alone does not sell the product for the corporation, it does not pay the marketing executives or the agents locked into the corporate media structure by their increasing back-end – a cut of the box office – deals. The stars, name recognition of the director, the special effects and the quality of the story sell the film. There must be some aspect of the film's content that attracts the audience. This means that the shrewd socially engaged filmmakers can create a space for their concept, and win themselves directorial control, if they can convince someone in the corporate owned process that their idea will sell**.
>
> **—Ben Dickenson**, ***Hollywood's New Radicalism***

Mainstream films are in this respect more able to absorb and reflect popular

feelings than the mainstream news agenda or mainstream politics. As both of these touch much more decisively on real questions of policy-making and therefore have direct implications for the dominant social and economic interests, there is an even narrower spectrum of voices in play here than in the corporate film industry.

Indeed as neo-liberal politics has become the norm in many parts of the world, so the language and ideals of politics has become virtually indistinguishable from the language and ideals of Big Business. Participation in democratic elections takes the form of equality, freedom and individuality as does exchange in the market place. And as in the exchange between worker and capitalist, the real inequalities, constraints and exercise in class power are disguised. A great deal of advertising, public relations and media hoopla goes into building up the next generation of political leaders, only for the story to end the same way: disappointment for the majority because of the yawning chasm between promises and reality.

And no wonder. Even before the votes have been counted, Big Business has colonized and controlled the policy agenda. We the people get to elect which political group will carry that agenda out. Representative democracy under neo-liberalism has become increasingly hollowed out, spawning a widespread retreat from mainstream politics across much of the advanced capitalist world, but especially in America and the UK.

> **At the end of the twentieth century the corporate order appears more stable and in control than at any other time in the recent past, despite a series of mounting contradictions that might have been expected to undermine the whole edifice. This is so largely because the system, in its globalized incarnation, has been able to maintain an unprecedented degree of ideological and cultural hegemony over both state and civil society.… Unlike the popular strata involved with daily struggles and grassroots movements, elites typically do not suffer the well known "postmodern" malaise of sharply fragmented identities and purposes; despite internal divisions, their overall class orientation is far more unified. As capital becomes more fluid, mobile, and global, as material and technological resources become more concentrated, the multinational corporations begin to enjoy new leverage, qualitatively, vis-á-vis virtually everything that stands before them (including even the most powerful nation-states) … Whether corporate hegemony can be maintained in a world riven with economic crisis, social polarization and civil strife – a world ultimately faced with ecological catastrophe –**

is yet another matter.

—Carl Boggs, ***The End of Politics***

In this context, the power of the fetish grows, taking innumerable forms, from the colonization of the public sphere by commercial values, to the growth of innumerable types of personal therapy, from technological fetishism to the fetishism of nature, from the growing pull of religion – and in an ever bewildering array of exotic forms – to the fragmentation of alternative politics into single “manageable” issues or into “life styles,” from the fragmentation of public discontent into private retreats, to the numbing of sorrows in various forms of drugs, some legal, some illegal. The fetish by definition consoles and compensates without ever really touching on the true nature of the problem or its scale. Meanwhile the world spins on according to the dictates of capital – accumulating disaster upon disaster.

chapter 8: after capitalism?

Marx did not see it as his job in *Das Kapital* to write "recipes for the cookshops of the future" and was usually averse to speculating in any detail what a future society that had advanced beyond capitalism would look like. But we can glean some of the principles that would animate such a society from his critique of capitalism.

Marx did not dispute the successes of capitalism. He recognized that capitalism had developed prodigious productive energies which no former mode of production could ever have anticipated.

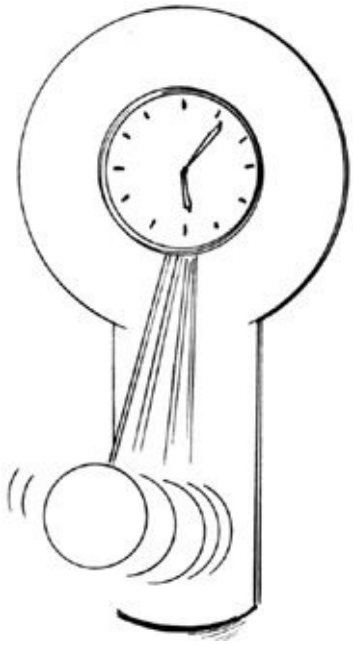
> **The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than all the preceding generations together. Subjection of nature's forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground – what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?**
>
> —**Marx**, ***The Communist Manifesto***

Marx would not have been surprised by the level of the productive forces today, which have further added to our ability to transform nature, build wonderful machines (as well as deadly ones), apply science to industry, improve on and invent new modes of transport and communication, and rapidly build

cities where before there was wilderness.

But it is precisely the successes of capitalism that makes its historical termination both necessary and possible. Possible because here at our disposal are productive forces powerful enough to abolish want, deprivation, hunger and inequality. Necessary because the social relations of capitalism constantly thwart the realization of these possibilities and indeed turn the forces of production against us.

This is very clear in the growth of surplus labor time. As the productive forces grow more powerful, so the time workers must necessarily spend working to reproduce themselves declines. But their labor time does not fall as a result of a growth in productivity. Instead surplus labor time grows.



> **Only by suppressing the capitalist form of production could the length of the workday be reduced to necessary labor time. But, even in that case, the latter would extend its limits. On the one hand, because the notion of "means of subsistence" would considerably expand, and the laborer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus labor would then count as necessary labor; I mean the labor of forming a fund for reserve and accumulation**.
>
> **—Marx**, ***Das Kapital***

Socialism would mean the abolition of the division between necessary labor and surplus labor. There would be no such thing as surplus labor because all

labor would be folded into what workers themselves deemed necessary. While necessary labor might well increase it would still fall far short of today's combination of necessary and surplus labor.

> **The intensity and productiveness of labor being given, the time which society is bound to devote to material production is shorter, and as a consequence, the time at its disposal for the free development, intellectual and social, of the individual is greater, in proportion as the work is more and more evenly divided among all the able-bodied members of society, and as a particular class is more and more deprived of the power to shift the natural burden of labor from its own shoulders to those of another layer of society.… In capitalist society spare time is acquired for one class by converting the whole lifetime of the masses into labor time**.
>
> **—Marx**, ***Das Kapital***

The shrinking of the workday would of course bring more people into the production process to share the decreasing burden of labor – thus addressing the waste of resources under capitalism that is unemployment.

The new society would have a different measure of wealth from the old one. Under capitalism, labor time is the measure of wealth for both the laborer and the capitalist who thrives off labor time. After capitalism, *disposable* leisure time outside labor would be the measure of wealth. Capitalism, however, cannot deliver this even as it creates the foundations for it.

> **Capital itself is the moving contradiction, [in] that it presses to reduce labor time to a minimum, while it posits labor time, on the other side, as sole measure and source of wealth. Hence it diminishes labor time in the necessary form so as to increase it in the superfluous form**.
>
> **—Marx**, ***Grundrisse***

The more advanced capitalist society becomes, the more labor time is devoted to making means-of-production goods – that is, machinery designed to make commodities that can be consumed outside the direct production process (i.e., individual consumption). This growth in constant capital is an indication of how scarcity is declining. Society can only withdraw labor time from the production of goods designed for individual consumption if a certain surplus and conquering of scarcity has already been achieved. What should be a virtuous circle can then kick in. More labor time can be devoted to the production of

machinery that increases the productivity of labor producing goods for individual or public consumption.

But what should be a virtuous circle turns into a spiral of crises, as we have seen, because capitalism ends up eroding the very source of the rate of profit by increasing the ratio of constant capital to variable capital. That what should be a virtuous circle testifying to the relative abolition of scarcity turns into more scarcity (e.g., higher unemployment, attacks on any public sectors that hinder capital) shows just how absurd and irrational capitalism has become.

> **As soon as labor in the direct form has ceased to be the great wellspring of wealth, labor time ceases and must cease to be its measure, and hence exchange value [must cease to be the measure] of use value**.
>
> —**Marx**, ***Grundrisse***

Time and physiological effort are no longer the measure of the wealth labor can produce (labor in the "direct form") thanks to new technology. So the basis is laid to liberate use value from its domination by exchange value (which measures use value according to abstract labor time). We saw right at the beginning of our journey in *Das Kapital* that capital is entirely indifferent to use value. The physical qualities that make use value what they are are merely a kind of host for the parasite that is value. After capitalism, the second great principle of the new society would be production for use and need. Remember, Marx insisted that:

> **Use values … constitute the substance of all wealth, whatever may be the social form of that wealth**.
>
> —**Marx**, ***Das Kapital***

We have now seen how the social form of wealth called capitalism distorts and thwarts the substance of wealth with its imperative to produce for a profit.

Defenders of capitalism will celebrate the profit motive as a means to reward the winners and incentivize the rest. But what this really means is that both the winners (the capitalists) and the rest must bow down to the world of things:

> **The laborer exists to satisfy the needs of self-expansion of existing values, instead of, on the contrary, material wealth existing to satisfy the needs of development on the part of the laborer**.
>
> —**Marx**, ***Das Kapital***

Capitalism inverts what was once a natural relation: human beings controlled what human beings produced. That production may have been paltry compared to now and even inadequate at times for the community concerned, but crops and tools did not acquire a life independent of the community. Under capitalism, value in its various forms – constant capital, variable capital, commodity capital, profit and so forth – dominates the life of the human community. This is the root of commodity fetishism.

With commodity fetishism, our human relationships with one another are mediated by these things, while these things relate to one another as if we were of secondary importance (which we are):

> **The relations connecting the labor of one individual with that of the rest appear not as direct social relations between individuals … but as what they really are, material relations between persons and social relations between things**.
>
> **—Marx**, ***Das Kapital***

A new society would invert capitalism's perverse inversion of priorities, bringing the means of production back into the control of human beings.

> **Capital and its self-valorization appear as the starting and finishing point, as the motive and purpose of production; production is production only for *capital*, and not the reverse – i.e., the means of production are not simply means for a steadily expanding pattern of life for the society of the producers**.
>
> **—Marx**, ***Das Kapital*****,**
> **Volume III**

In proportion that the new society would reverse this state of affairs, all the ways in which capitalism generates strange and bizarre ways of seeing the world, all the grotesque and distorted values and priorities, would lose their material base.

> **The life-process of society, which is based on the process of material production, does not strip off its mystical veil until it is treated as production by freely associated men, and is consciously regulated by them in accordance with a settled plan**.
>
> **—Marx**, ***Das Kapital***

We know that the basis of capitalism is the separation of the direct producers

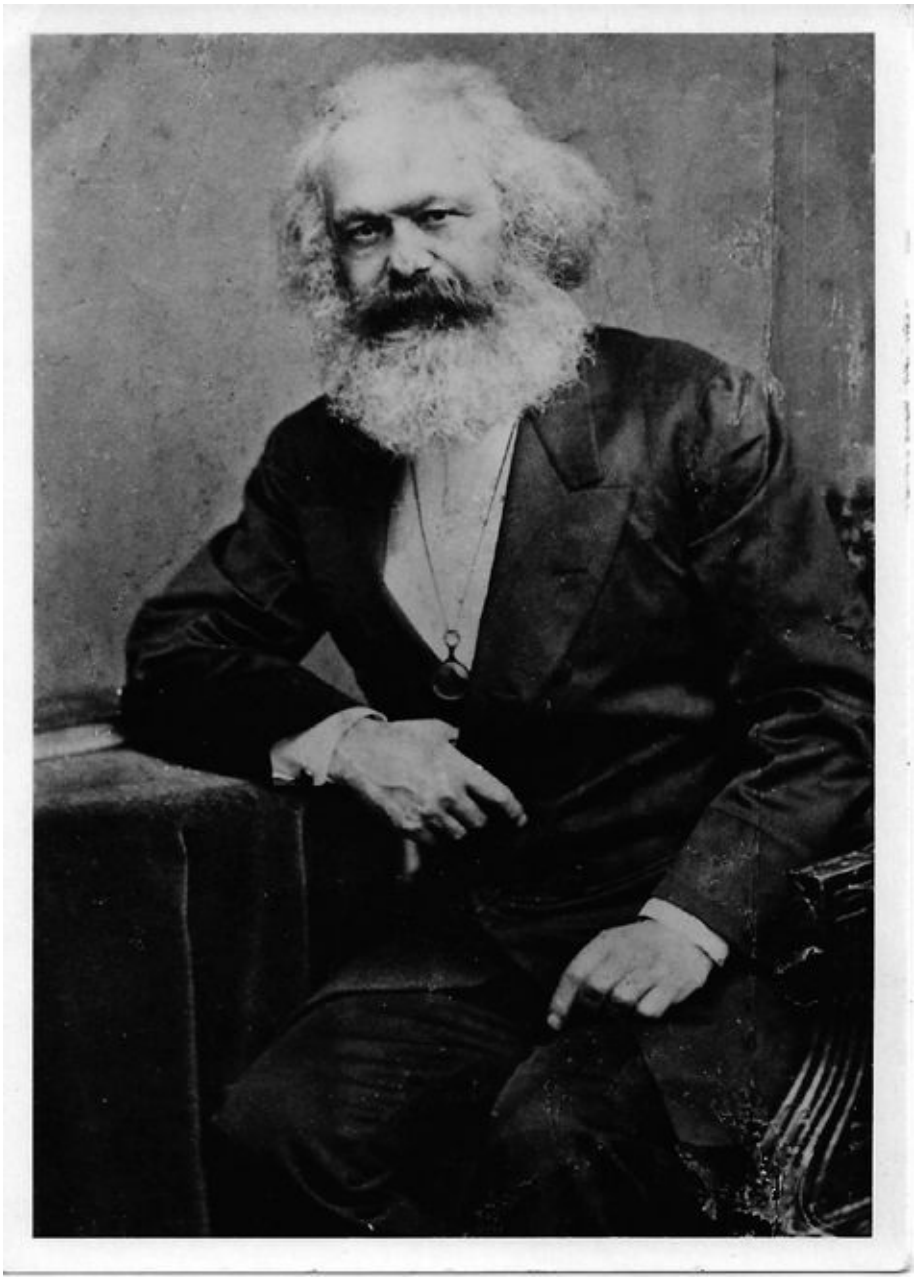
from the means of production, from the means of realizing their labor power. This separation is the basis of the personal power of capitalists and the systemic power of capital.

Therefore the new society would reconnect the direct producers with the means of production, and production overall would become organized according to the free association of the producers. This is the third great principle of the new society. Free association can only mean that production becomes subject to collective participation and democratic control.

Democracy in the workplace is of course anathema to the bourgeoisie. Accumulation for the sake of accumulation can only work if production is dominated by a powerful elite. They become the conduit for the system's imperatives and embody its logic. Once the collective acquired control of production, then production for need would replace the logic of accumulation.

As the freely associated producers developed their abilities to run production, as producers developed their links with one another and the communities they served, so the state and the market would both shrink and be reconfigured. The sectors representing various forms of collective ownership and control would grow, while both the state and the market for labor power would diminish. This could only take place over what presumably would be a long period of transition, spanning many generations.

If it sounds utopian it is perhaps no more utopian than trying to reform capitalism and certainly less utopian than thinking that capitalism has a long and happy future. If it does have a long future, it won't be a happy one, either for the system itself or the people who live in it.



Marx built his critique of capitalism “internally” from the very categories associated with the economists who defended and championed it. He showed how capitalism laid the foundations for its own overthrow and why its contradictions made that necessary. The basis of transforming capitalism is capitalism itself, not some imaginary or external source of hope:

> **If we did not find concealed in society as it is … prerequisites for a classless society, then all attempts to explode it would be quixotic. … The development of the productive forces brought about by the**

historical development of capital itself, when it reaches a certain point, suspends the self-realization of capital, instead of positing it. Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labor.… The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production.

—Karl Marx,
Grundrisse

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